DESIGN WITHOUT LIMITS

STEVE LEUNG DESIGN GROUP LIMITED

ANNUAL REPORT 2024
Stock Code : 2262

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CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

LEUNG Chi Tien Steve, BBS
SIU Man Hei *(Chief Executive Officer)*
YIP Kwok Hung Kevin *(Chief Financial Officer)*
DING Chunya (resigned with effect from 12 February 2025)

Non-Executive Directors

XU Xingli *(Chairman)*
DING Jingyong
WONG Man Hei (appointed with effect from 12 February 2025)

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

XU Xingli *(Chairman)*
LIU Yi (appointed with effect from 5 July 2024)
TSANG Ho Ka Eugene
SUN Yansheng (resigned with effect from 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)*
SIU Man Hei *(Chief Executive Officer)*
YIP Kwok Hung Kevin *(Chief Financial Officer)*
TSANG Ho Ka Eugene
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

30/F Manhattan Place
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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Corporate Markets Pty Limited
(formerly known as "Link Market Services (Hong Kong) Pty Limited", name changed on 20 January 2025)
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

INTERNAL AUDITOR

Forvis Mazars Risk Advisory Services Limited

PRINCIPAL BANKERS

Hang Seng Bank Limited
Dah Sing Bank

STOCK CODE

2262

COMPANY'S WEBSITE

www.sldgroup.com

INVESTOR RELATIONS CONTACT

ir@steveleung.com

CHAIRMAN AND FOUNDER'S STATEMENT

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Steve Leung Design Group Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present the annual report of the Company for the year ended 31 December 2024 (the "**Year**").

Throughout the Year, global economic growth continued to be constrained by a volatile international environment and the intensification of geopolitical conflicts worldwide. In the People's Republic of China (the "**PRC**"), while overall economic performance remained relatively stable, the industry faced serious involution, and economic expansion was under pressure. Notably, the domestic property market has been undergoing continuous adjustments. Although the PRC central government has introduced several policies to promote the stabilisation of the property market, it will take time for these policies to take effect. Achieving full stabilisation of the property market remains a significant challenge, which directly impacts the performance of the interior design industry.

Fortunately, the Group is built on a solid foundation. Despite turbulent market conditions, the Group has demonstrated resilience and determination to confidently move forward with extraordinary tenacity, introspection, and aggressiveness. The Group has continued to consolidate its core competitiveness while investing in innovation and influence. Additionally, the cost reduction and productivity enhancement strategies implemented since the pandemic are beginning to yield positive results, allowing the Company to successfully transition from loss to profit during the Year.

Meanwhile, the Group explored other potential fields and continued to strengthen its cross-market influence by actively developing projects outside the traditional residential sector. During the Year, both the number of new contracts and total new contract sum continued to grow, with an expanded range of project types, opening up broader prospects for future development and steering the Company toward high-quality growth.

Looking ahead to 2025, the Company anticipates a more severe and complex external environment and industry landscape. The challenges of an industry downturn are expected to persist, and market competition is expected to intensify. The Company will not relent in its efforts. It will continue to navigate against the current while focusing on enhancing its core competitiveness. Internally, deepening its strategies for cost reduction and productivity enhancement, fostering innovation and creativity within our teams, and accelerating its responsiveness to market changes. Externally, the Company will actively pursue "Rejuvenation, Diversification, Globalisation" development to further enhance the influence of the Company's brand, creating broader prospects for growth and greater economic benefits for the shareholders of the Company (the "**Shareholders**").

The outlook for the coming year may not be optimistic, but adversity is a test of resilience. The Company will remain united, embodying the spirit of perseverance and courage. It will leverage the strong solid foundation the Company has built, embracing new challenges, making continual and dedicated efforts and breaking new grounds. Together with the industry and all our partners, the Company aims to achieve a win-win situation for mutual benefits, honouring the trust and expectations of the Shareholders and clients with even better performance.

Last but not least, on behalf of the Board, I would like to express my sincere gratitude to our Shareholders, clients, partners and our professional team for their unwavering trust and support. The Group will continue to adopt an entrepreneurial mindset to enhance its core competitiveness and grow resiliently in the face of adversity. We look forward to collaborating with all of you as we embark on a new chapter of development.

XU Xingli
Chairman

19 March 2025

FOUNDER'S STATEMENT

Dear Shareholders and Colleagues,

Looking back on 2024, a year marked by both challenges and opportunities, I take pride in how Steve Leung Design Group Limited has continued to demonstrate resilience and innovation in the ever-evolving design landscape. Over the past year, we have faced several trials, traversed peaks and valleys, and it has never been an easy journey. Despite market challenges, our commitment to excellence and unwavering focus on quality have enabled us to maintain our position as industry leader.

Throughout 2024, we have successfully expanded our portfolio with significant projects that showcase our design philosophy of creating spaces that enhance the quality of life. Our teams have worked tirelessly to deliver exceptional designs across residential, hospitality and various other sectors, strengthening our unique position in the industry, and upholding our reputation for sophisticated aesthetics with practical functionality.

Notably breakthroughs were achieved in 2024. We introduced the Printemps Bleu Zenith Chandelier, a remarkable collaboration with the prestigious French luxury house Baccarat. The groundbreaking achievement bridges cultures from both the East and West, while paving the way for future cross-cultural design endeavours. The Company also proudly presented Qeelin's highly anticipated flagship store in Tokyo's prestigious Ginza district, showcasing an extraordinary fusion of architectural brilliance and captivating interior design, seamlessly blending oriental cultural heritage with modern aesthetics. Additionally, "Song Space" located in Xi'an exemplified the art of living that embraces human with the Zen of nature, showcasing the depth of humanities and culture.

Behind these successes lies our most valuable asset – our people. The dedication, creativity, and professionalism of our team members have been instrumental in driving our growth and transformation, navigating the challenges throughout the years. We have invested in nurturing talent and fostering innovation, ensuring that the Company remains at the forefront of design excellence.

Looking ahead to 2025, although challenges persist along the way, we see promising opportunities on this journey. We remain committed to continuous self-improvement, embracing change, and staying prepared to meet evolving market demands and client expectations. Moving forward, we will concentrate on three strategic pillars: "Rejuvenation, Diversification, Globalisation", transforming the Company into a multifaceted lifestyle brand that transcends traditional boundaries. The vision will be realised through merit-based talent acquisition and brand rejuvenation; expansion of design portfolio beyond real estate and residential projects; and strategic establishment of new operations in high-potential markets across Southeast Asia, the Middle East, and Europe. Through these initiatives, we will deliver innovative design solutions that energise our brand, maximise value for our Shareholders and clients, and contribute our strength to industry advancement.

We are adamant that creating value for our clients is the core of design. By deeply understanding their needs, providing customised design solutions, and ensuring each client experiences the allure of our brand, we remain committed to putting our clients at the center of everything we do. We will continue to strengthen the emotional connection between our brand and our clients by building long-lasting and robust partnerships.

I would like to express my heartfelt gratitude to our clients for their continued trust, our Shareholders for their unwavering support, and our dedicated team members for their exceptional contributions. Together, we have demonstrated that even in challenging times, our commitment to design excellence and innovation remains steadfast.

Together, let us move forward, powered by our sincere commitment, professional expertise, and steadfast determination. We will continue to shine and advance the company toward new heights of excellence, building upon our legacy of success while delivering enduring value for all our stakeholders.

Steve Leung
Founder

19 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

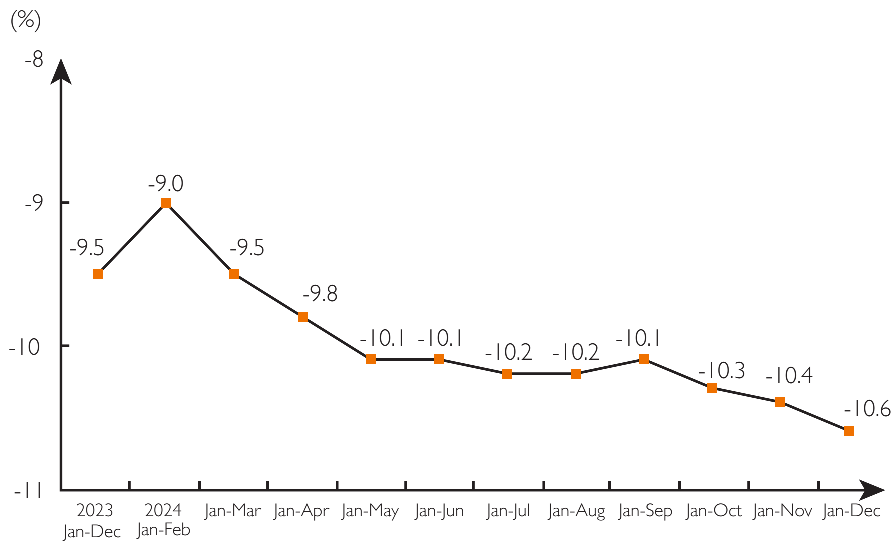
In 2024, the global economy entered into a new phase of development. The first half of the Year was characterised by economic stagnation, but as countries implemented targeted policies to revitalise their economies, positive results began to emerge in the latter half of the Year. However, international geopolitical conflicts intensified: Donald Trump ("**Trump**") returned to the White House following the United States of America (the "**U.S.**") election results, raising concerns about the potential continuation of his macroeconomic and foreign trade policies; the three-year stalemate of the Russia-Ukraine war, and the stance of Trump's new administration has introduced further uncertainties to the war; the ongoing conflict in Gaza exacerbated the Israeli-Palestinian tensions, raising the risk of the violence spilling over into neighboring regions; and in Asia, South Korea faced political turmoil due to the declaration of 'flash mob' martial law at the end of the Year. These developments undermined the fragile global economic recovery. In September 2024, the U.S. Federal Reserve (the "**Fed**") announced a 0.5% interest rate cut – the first in four and a half years – followed by a 0.25% cut in November 2024. Amidst these international uncertainties, the Fed lowered interest rates again by 0.25% in its final meeting of the Year in December, aligning with market expectations.

While the external economic environment was fraught with uncertainties, the PRC faced difficulties in the first half of the Year as its economic activities struggled. However, beginning in the third quarter, the PRC central government implemented specific and proactive economic support measures that effectively boosted the domestic economy, allowing it to maintain stability in the latter half of the Year. The real estate market became a focal point of the the PRC central government's policies. At the start of the Year, the PRC central government reiterated the principle of "housing are not for speculation" and emphasised tailored measures for different cities. By mid-year, it acknowledged the new dynamics of supply and demand in the real estate market and aimed to accelerate the establishment of a new model for real estate development. In the third quarter, support for "white-list" financing was increased, and efforts to stabilise the property market were emphasised. By year-end, the Political Bureau of the Central Committee introduced the measures to stabilise the property market and fully unleash the potential demand for new and improved housing, demonstrating that the PRC central government has been stepping up its efforts on market stabilisation.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

With active support from the PRC central government, the domestic property market appears to have gradually emerged from the depths of recent years. Data from the National Bureau of Statistics (the "**NBS**") reveals that, although the growth rate of capital in place for real estate development enterprises and the real estate development sentiment index remain at low levels, they have begun to recover from their early 2024 lows. However, consumer confidence remained fragile, and real estate developers remained cautiously about initiating new projects. According to the NBS, as of December 2024, the growth rate of investment in real estate development continues to decline, down 10.6% year-on-year, and the area of newly-constructed housing further down 23% year-on-year, indicating that the real estate market requires further expansion of confidence and demand from consumers to regain an upward trajectory.

Growth Rate of Investment in Real Estate Development



Source: the NBS

BUSINESS AND OPERATIONAL REVIEW

The Group specialised in the field of interior design and is committed to provide exceptional design services to clients worldwide. High-end residential properties, luxury hotels and commercial spaces are the main core businesses, serving real estate developers, internationally renowned brands, upscale private clubs and well-known domestic enterprises. During the Year, the Group's projects primarily spread across the PRC, Hong Kong and Macau. At the same time, the Group has been actively exploring the overseas markets and continuously broadening its footprint.

As the property market undergoes a period of adjustment, the interior design industry, being an upstream sector, must stay attuned to market changes and adjust its development strategies accordingly. In terms of business development, regional differences are evident: first- and second-tier cities were primarily benefited from improved demand, which facilitated new residential interior design projects. In contrast, third- and fourth-tier cities continue to face de-inventorying pressures, leading to underutilisation of the interior design business.

Overall, business operations have been challenging, as real estate developers grapple with tight cash flow situations. Some have even encountered liquidity constraints due to financing arrangements, leading to extended project payment cycles and reduced design budgets. These factors have directly impacted the entire real estate-related industry, including the Group.

In response to rising operating costs and cash flow pressures, competition within the interior design industry has become increasingly fierce, leading to significant market involution. The Group has met these challenges by adopting cost control and productivity enhancement strategies, strengthening management practices, and optimising its business structure. These initiatives have successfully enabled the Group to remain resilient in a turbulent and highly competitive market. Despite the surrounding market volatility, the Group has maintained stable performance, successfully turning a loss into a profit during the Year.

The Group is also actively exploring opportunities in the overseas market and other business sectors such as hotels, prestige membership clubs and catering, etc. to mitigate the risk of over-concentration in the PRC residential market. The Group has established business relationships with several well-known companies engaged in these sectors, which will diversify the Group's existing business and enable the Group to launch new design products in the coming year by leveraging the business networks of these clients.

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

	As at 31 December 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 %
Residential project	**201.9**	**142.2**	**16.4**	**360.5**	**71.1**	154.1	109.0	14.4	277.5	61.1
Private residence project	**45.0**	**1.5**	**–**	**46.5**	**9.2**	32.8	1.8	–	34.6	7.6
Hospitality project	**15.1**	**1.2**	**18.3**	**34.6**	**6.8**	44.4	1.8	26.3	72.5	16.0
Commercial project	**12.1**	**0.1**	**27.2**	**39.4**	**7.8**	9.9	0.4	32.6	42.9	9.4
Others	**11.7**	**1.4**	**13.0**	**26.1**	**5.1**	9.4	1.5	15.7	26.6	5.9
Total	**285.8**	**146.4**	**74.9**	**507.1**	**100.0**	250.6	114.5	89.0	454.1	100.0

OVERALL PERFORMANCE

During the Year, the Group recorded a total revenue of approximately HK$367.7 million (for the year ended 31 December 2023 (the "**Previous Year**"): approximately HK$355.8 million), representing an increase of approximately 3.3%. Gross profit also increased to approximately HK$146.8 million (Previous Year: approximately HK$139.3 million), whereas gross profit margin increased from approximately 39.2% for the Previous Year to approximately 39.9% for the Year, resulting from the continuous implementation of effective cost control measures.

The Group has achieved a turnaround from a loss of approximately HK$20.0 million for the Previous Year to a profit, recording a net profit after tax of approximately HK$1.2 million this Year. This encouraging result was mainly due to (i) a significant reduction in the impairment losses on trade receivables and contract assets under the expected credit loss model of the Group for the Year, which was driven by signs of stabilisation of the PRC property market during the Year, and the Group has established an adequate level of impairment provisions under the expected credit loss model to account for the credit risk associated with the downturn in the PRC property market during the past years; (ii) an increase in gross profit and other income; (iii) a decrease in selling and administrative expenses as a consequence of continued cost control measures; and (iv) a decrease in finance costs as a result of the decrease in average bank borrowings.

The Group also recorded a profit attributable to owners of the Company, improving from a loss of approximately HK$18.8 million attributable to owners for the Previous Year to a profit of approximately HK$1.8 million of profit attributable to owners for the Year.

The Board did not recommend the payment of final dividend for both 2023 and 2024.

As at 31 December 2024, the Group's total assets were valued at approximately HK$497.4 million (31 December 2023: approximately HK$497.9 million), of which current assets were approximately HK$382.3 million (31 December 2023: approximately HK$377.0 million), being 2.6 times (31 December 2023: 2.5 times) of the current liabilities. Equity attributable to owners of the Company was approximately HK$303.3 million (31 December 2023: approximately HK$304.5 million).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

	For the year ended 31 December 2024					For the year ended 31 December 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 %
Residential project	**143.0**	**102.4**	**8.1**	**253.5**	**68.9**	130.7	96.9	7.8	235.4	66.2
Private residence project	**13.2**	**0.5**	**–**	**13.7**	**3.7**	9.4	2.5	–	11.9	3.3
Hospitality project	**42.5**	**2.8**	**13.1**	**58.4**	**15.9**	45.8	2.7	17.5	66.0	18.5
Commercial project	**9.5**	**0.6**	**23.3**	**33.4**	**9.1**	3.2	0.1	25.4	28.7	8.1
Others	**6.5**	**0.4**	**1.8**	**8.7**	**2.4**	6.8	0.2	6.8	13.8	3.9
Total	**214.7**	**106.7**	**46.3**	**367.7**	**100.0**	195.9	102.4	57.5	355.8	100.0

SLD

SLD (Steve Leung Design) segment includes the "Steve Leung" brand, such as SLD, SLC, SL2.0, SLH, 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.

This segment remained focused on the residential project sector during the Year. The entire SLD brand contributed approximately 58.4% of the Group's revenue (Previous Year: approximately 55.1%). Segment revenue increased from approximately HK$195.9 million for the Previous Year to approximately HK$214.7 million for the Year, representing an increase of approximately 9.6%. Such increase was mainly arising from the interior design services of residential related sectors. The residential related sectors' progress remained stable with an increasing trend as driven by the PRC stimulating policies on the property market during the Year. With the progression completion of certain gifted projects in the hospitality sector, the revenue contribution from this sector has decreased, while the revenue contribution from residential related sectors has correspondingly increased.

Segment gross profit increased approximately 13.6% to approximately HK$95.4 million (Previous Year: approximately HK$84.0 million), resulting from the effectively implementation of cost control measures, such as optimisation of staff structure, and efficiency enhancement measures throughout the Year.

Another important component of this segment is the provision of and the licensing arrangement for product design services, the revenue of which was recognised with reference to the sales volume of the designed products by clients of the Group. While this component contributed minimally to the Group's revenue, it added value to the overall interior design, decorating and furnishing layout of projects, thereby enhancing customer satisfaction. This is one of the Group's important marketing and branding strategies. During the Year, our product design services continued to maintained at a minimal level, with revenue of approximately HK$1.6 million (Previous Period: approximately HK$2.5 million).

As at 31 December 2024, this brand segment had a remaining contract sum of approximately HK$285.8 million (31 December 2023: approximately HK$250.6 million), which is expected to be realised based on the stage of completion and the general progress of projects in 2025 and 2026.

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 our projects. 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.

During the Year, this segment maintained its main focus on the PRC residential project sector and performed stably. This segment contributed approximately 29.0% of the Group's total revenue for the Year (Previous Year: approximately 28.8%). Segment revenue recorded an increase of approximately 4.2% to approximately HK$106.7 million (Previous Year: approximately HK$102.4 million). Such increase was mainly arising from the increase in trading income as a result of the recovery of the residential market in the first- and second-tier cities of the PRC which also led to the increase in new contract sum awarded during the Year.

As at 31 December 2024, this brand segment had a remaining contract sum of approximately HK$146.4 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 and handover of interior decorative products in 2025 and 2026.

JHD

JHD (Jangho Design) segment refers to the provision of interior design services, 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 12.6% of the Group's total revenue for the Year (Previous Year: approximately 16.1%). Segment revenue substantially dropped by approximately 19.5% from approximately HK$57.5 million for the Previous Year to approximately HK$46.3 million for the Year. Such reduction in revenue was mainly arising from the hospitality and other sectors, which dropped from approximately HK$17.5 million and approximately HK$6.8 million for the Previous Year to approximately HK$13.1 million and approximately HK$1.8 million for the Year respectively. The decrease is mainly due to (i) slowdown in project progress and the decrease in hotel projects awarded to JHD as a result of financial hardship for the real estate hotel developers; and (ii) the decrease in other projects awarded to JHD, such as public utilities.

As at 31 December 2024, this brand segment had a remaining contract sum of approximately HK$74.9 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 2025 and 2026.

AWARDS AND ACCREDITATIONS IN 2024

The Group received numerous awards over the years for its continuous delivery of high-quality interior design services and outstanding corporate performance. Awards and accreditations received by the Group during the Year were as follows:

CORPORATE HONOURS

Best of the Best 2024 by Robb Report
Designer of the Year

INTERIOR DESIGN AWARDS

International Hotel & Property Awards 2024 by Design et al magazine – Shortlisted – Global: Hotel Suite
Marina Bay Sands The Paiza Royal Collection, Singapore

Food in Space Awards 2024 Winner – Fast Food
McDonald's CUBE, Flagship Restaurant, Shanghai, China

2024/2025 Elle Decoration China Interior Architecture Design Awards – Shortlisted – Real Estate
The Landmark, Foshan, China

2024 China Interior Design Annual Commercial Retail Selected Works
Qeelin Tokyo Ginza Flagship Store

FINANCIAL REVIEW

REVENUE AND GROSS PROFIT

The Group's revenue increased by approximately HK$11.9 million or 3.3%, from approximately HK$355.8 million for the Previous Year to approximately HK$367.7 million for the Year. The increase in total revenue was mainly contributed by the service revenue from the provision of interior design services and interior decorating and furnishing design services during the Year.

The Group's revenue can be classified into three major natures, namely (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 services.

The following table sets forth the Group's revenue and gross profit by brand and nature during the years indicated:

REVENUE AND GROSS PROFIT BY BRAND AND NATURE

	For the year ended 31 December 2024				For the year ended 31 December 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	**213.1**	**11.9**	**44.2**	**269.2**	193.4	11.1	57.5	262.0
License fee revenue	**1.6**	**–**	**–**	**1.6**	2.5	–	–	2.5
Trading income	**–**	**94.8**	**2.1**	**96.9**	–	91.3	–	91.3
Total revenue	**214.7**	**106.7**	**46.3**	**367.7**	195.9	102.4	57.5	355.8
Gross profit	**95.4**	**41.6**	**9.8**	**146.8**	84.1	32.6	22.6	139.3
Gross profit margin	**44.4%**	**39.0%**	**21.2%**	**39.9%**	42.9%	31.8%	39.3%	39.2%

Service revenue increased from approximately HK$262.0 million for the Previous Year to approximately HK$269.2 million for the Year, representing approximately 73.6% and approximately 73.2% of the total revenue for the respective years. The increase in service revenue is mainly attributable to the SLD segment in residential related sectors as a result of the recovery of overall project progress but was at the same time offset by the drop in revenue from the JHD segment in hospitality and other sectors, in particular, the PRC hotel projects. While the trading revenue also slightly increased from approximately HK$91.3 million for the Previous Year to approximately HK$96.9 million for the Year, representing approximately 25.7% and approximately 26.4% of the total revenue, respectively. The increase was mainly due to the gradual recovery of the PRC residential market and the stable new contract sum awarded during the Year.

The Group's gross profit increased to approximately HK$146.8 million for the Year (Previous Year: approximately HK$139.3 million), which was primarily due to the continuous optimisation of costs during the Year. Gross profit margin therefore increased slightly by approximately 0.7 percentage points to approximately 39.9% (Previous Year: approximately 39.2%), of which the SLL segment showed a significant increase.

REMAINING CONTRACT SUM

The following table sets forth the Group's remaining contract sum and its movement during the years indicated:

	For the year ended 31 December 2024				For the year ended 31 December 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 year	250.6	114.5	89.0	454.1	212.5	117.9	99.1	429.5
Add: New contract sum awarded during the year	312.3	189.4	62.6	564.3	305.6	160.2	94.0	559.8
Less: VAT for newly awarded contracts	(14.1)	(20.6)	(3.8)	(38.5)	(14.8)	(17.3)	(5.4)	(37.5)
Less: Revenue recognised during the year	(213.1)	(106.7)	(46.3)	(366.1)	(193.4)	(102.4)	(57.5)	(353.3)
Less: Variation order	(44.6)	(28.8)	(25.6)	(99.0)	(56.4)	(41.6)	(39.8)	(137.8)
Less: Exchange realignments	(5.3)	(1.4)	(1.0)	(7.7)	(2.9)	(2.3)	(1.4)	(6.6)
Remaining contract sum at the end of the year	285.8	146.4	74.9	507.1	250.6	114.5	89.0	454.1

The remaining contract sum for SLD increased from approximately HK$250.6 million as at 31 December 2023 to approximately HK$285.8 million as at 31 December 2024 while the remaining contract sum for SLL also increased from approximately HK$114.5 million as at 31 December 2023 to approximately HK$146.4 million as at 31 December 2024. However, the remaining contract sum for JHD decreased from approximately HK$89.0 million as at 31 December 2023 to approximately HK$74.9 million as at 31 December 2024.

Compared with the Previous Year, the negative variation order decreased significantly from approximately HK$137.8 million to approximately HK$99.0 million for the Year. The decrease was mainly due to the decrease in the number of projects that have been terminated or reduced in design scope as a result of better project planning and marketing strategy by the Group's clients under the current market environment and condition.

OTHER GAINS AND LOSSES

The Group recorded other losses of approximately HK$4.1 million for the Year (Previous Year: approximately HK$0.8 million). The significant increase was primarily due to the relatively fluctuated exchange rate of Renminbi ("**RMB**") for the Year as compared with the Previous Year, resulting in an increase in exchange losses. Also, the provision for litigations (for details, please refer to note 7 to the consolidated financial statements of this annual report) also contributed the major portion of the increase.

IMPAIRMENT LOSSES ON TRADE RECEIVABLES AND CONTRACT ASSETS UNDER EXPECTED CREDIT LOSS ("ECL") MODEL

The impairment losses on trade receivables and contract assets decreased significantly from approximately HK$24.7 million for the Previous Year to approximately HK$6.4 million for the Year. As the property market in the PRC has shown signs of stabilisation during the Year, in view that the Group has established an adequate level of impairment provisions under ECL model to reflect the credit risk associated with the downturn in the PRC property market during the past years, impairment losses on trade receivables and contract assets under ECL model for the Year decreased significantly. For details, please refer to the section headed "Corporate Finance and Risk Management — Credit Risk Exposure" of this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

OTHER INCOME

Other income mainly includes government grants, interest income from bank deposits and membership fee income during the Year. The increase in other income from approximately HK$1.5 million for the Previous Year to approximately HK$2.8 million for the Year was mainly contributed from the membership fee income arising from the Group's newly established "Design Hub". Design Hub is a design-driven social community space that utilises unused office area of the Group. It aims to leverage the Group's design resources and infrastructure to foster a design community for participants from creative and design related industries to connect, collaborate and share. For details, please refer to the note 8 to the consolidated financial statement of this annual report.

SELLING EXPENSES

Selling expenses of the Group decreased from approximately HK$20.8 million for the Previous Year to approximately HK$19.4 million for the Year, representing a decrease of approximately 6.7% during the Year. The decrease was mainly due to the continuous implementation of efficiency boosting and cost saving measures, together with decrease in staff cost resulting from the optimisation of staff resources and manpower during the Year.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses decreased from approximately HK$107.2 million for the Previous Year to approximately HK$105.8 million for the Year, representing a decrease of approximately 1.3% during the Year. The decrease was primarily due to the continued cost control and manpower streamlining measures implemented during the Year.

FINANCE COSTS

The finance costs comprised interest on lease liabilities and the bank borrowings for financing the Group's operations. The finance costs of the Group decreased from approximately HK$4.4 million for the Previous Year to approximately HK$3.6 million for the Year, representing a decrease of approximately 18.2%. The decrease was mainly attributable to the decrease in interest rate and the average bank borrowings during the Year. For details, please refer to note 9 to the consolidated financial statements of this annual report.

INCOME TAX EXPENSE

The Group's income tax expense increased from approximately HK$2.7 million for the Previous Year to approximately HK$9.1 million for the Year, representing an increase of approximately 2.4 times during the Year. The significant increase was mainly due to the income tax expense was recognised for the profits of PRC's subsidiaries and no income tax credit was recognised for any losses of subsidiaries as they are no longer probable that sufficient taxable profits will be recovered for the loss.

PROFIT (LOSS) FOR THE YEAR

As a result of the foregoing, the Group recorded a profit for the Year amounting to approximately HK$1.2 million (Previous Year: a loss of approximately HK$20.0 million).

BASIC EARNINGS (LOSS) PER SHARE

The Company's basic earnings per share for the Year was approximately HK0.16 cents (Previous Year: approximately HK1.65 cents of basic loss per share), representing an increase of approximately HK1.81 cents. Details of earnings (loss) per share are set out in note 15 to the consolidated financial statements of this annual report.

DIVIDEND

The Board did not recommend the payment of final dividend for both 2023 and 2024.

OUTLOOK AND PROSPECTS

Looking ahead to 2025, both favourable and unfavourable factors are expected to shape the overall landscape. The global economy, domestic market, and interior design industry are navigating significant challenges. International geopolitical risks remain high, and the outcomes of conflicts and wars in various regions remain uncertain. Additionally, the implications of Trump's approach on global trade, monetary policy, and the broader economic environment remain key areas of concern.

According to the United Nations report, the growth of the two largest economies, the U.S. and the PRC, is expected to continue decelerating. Coupled with weak investment sentiment, sluggish productivity growth, and high global debt levels, this trend is likely to constrain global economic expansion. The United Nations projects world economic growth to remain at 2.8% in 2025, unchanged from 2024 and still below the pre-pandemic level of 3.2%. The World Economic Outlook, released by the International Monetary Fund in early 2025, also forecasts stable global growth this year, accompanied by a slowdown in persistent inflation.

In contrast to the challenging global outlook, the PRC's domestic economic growth appears to be relatively stable, though potential risks remain high. Following Trump's return to the White House, additional tariffs on imports from the PRC have been reintroduced. The market widely anticipates a resurgence of trade tension between the PRC and the U.S., which is likely to exert additional pressure on the PRC's domestic economic growth. Given the escalating uncertainties in foreign trade, promoting domestic consumption is expected to be a key focus of policy efforts, providing essential support for the domestic economy.

Regarding the domestic property market, while the PRC central government has implemented targeted support and a comprehensive array of policies, these measures are likely to stabilise the market only in the short term. Achieving long-term recovery towards healthy and stable development remains a significant challenge. According to the China Index Academy, a PRC research institute, the property market continues to face numerous obstacles, and the overall market may still be in the bottoming-out phase. Domestic property developers are struggling with operational challenges, high debt burdens, and a decrease in investment for new development projects.

Amid this challenging landscape, the interior design industry continues to face significant difficulties. The Company remains committed to continuously enhancing its capabilities and adapting to effectively address the challenges ahead. The Company's future development will be guided by three strategic pillars: "Rejuvenation, Diversification, and Globalisation". "Rejuvenation" extends beyond achieving breakthroughs in design aesthetics; it encompasses nurturing talent and empowering promising young in-house designers to realise their full potential, cultivating an environment where every individual can excel, whilst injecting fresh energy into the brand. The Company will also conduct thorough research into the enhancing design processes through artificial intelligence technology, ensuring sustainable business growth. "Diversification" centres on broadening both our design portfolio and business scope, including exploring cross-industry collaborations to develop innovative design products and services. "Globalisation" remains a cornerstone of the development strategy, and in the coming year, the Company shall accelerate its international expansion. With plans to establish offices in the overseas, the Company aims at building multicultural design teams whilst leveraging these hubs to actively develop potential markets across Southeast Asia, the Middle East and beyond.

While approaching new challenges in a proactive yet prudent manner, the Company will remain steadfast in its commitment to upholding the highest standards of professionalism and integrity, ensuring superior service for clients to maintain its leading market position. At the same time, the Company will closely monitor market developments to identify growth opportunities, explore strategic partnerships, and pursue emerging investment avenues. By continuously advancing its capabilities, leveraging industry expertise and adaptability, and maintaining its established professionalism and competitive edge, the Company is well-prepared to navigate challenges and drive sustained progress.

CORPORATE FINANCE AND RISK MANAGEMENT

LIQUIDITY AND FINANCIAL RESOURCES

The management and control of the Group's financial, capital management and external financing functions are centralised at the headquarter in Hong Kong. The Group has been adhering to the principle of prudent financial management in order to minimise financial and operational risks. The Group mainly relies upon internally generated funds and bank borrowings.

As at 31 December 2024, the Group's total debt (representing total interest-bearing borrowings excluding lease liabilities arising from the adoption of HKFRS 16) to total assets ratio was approximately 4.0% (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 6.6% (31 December 2023: approximately 9.9%). As at 31 December 2024, the Group had net cash (i.e. bank balances and cash (including pledged bank deposits) less total debt) of approximately HK$120.9 million (31 December 2023: approximately HK$119.1 million).

Bank borrowings of approximately HK$20.0 million as at 31 December 2024 (31 December 2023: approximately HK$30.0 million) were unsecured and guaranteed by the Company. No bank borrowing as at 31 December 2024 and 31 December 2023 were secured by pledged bank deposits. For details, please refer to note 27 to the consolidated financial statements of this annual report. Further costs for operations and expansion will be partially financed by the Group's unutilised bank facilities. Bank borrowings during the Year were mainly for financing the Group's daily operation only.

The liquidity of the Group remains positive as the current ratio (i.e. current assets/current liabilities) of the Group as at 31 December 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 for development opportunities with a view to balancing the risk and opportunity in maximising value of the Company's shareholders.

As at 31 December 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$303.3 million (31 December 2023: approximately HK$304.5 million), respectively.

PLEDGE OF ASSETS AND RESTRICTED BANK BALANCES

As at 31 December 2024, no bank deposits were pledged to any bank (31 December 2023: a bank deposit of approximately HK$0.2 million was pledged to a bank to secure a performance bond). For details, please refer to note 25 to the consolidated financial statements of this annual report.

As at 31 December 2024, there were restricted bank balance of approximately HK$2.7 million (31 December 2023: approximately HK$1.7 million) was due to legal disputes in the PRC. For details, please refer to notes 7, 25 and 41 to the consolidated financial statements of this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

During the Year, a vendor filed a lawsuit against a PRC subsidiary of the Group in November 2024 in relation to a contractual dispute involving the provision of constructions drawings services. A sum of approximately RMB450,000 (equivalent to approximately HK$486,000) in a bank account of such PRC subsidiary has been frozen pursuant to a court order in January 2025. This case is currently in the litigation stage. Since the legal proceeding is still at early stages, it is impractical to assess the potential impact to the Group. A contingent liability of approximately RMB450,000 (equivalent to approximately HK$486,000) has been noted up to the date of this annual report.

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

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

The Group's bank borrowings as at 31 December 2024 were in Hong Kong dollars at floating rates. The Group operates in various regions with different foreign currencies including RMB and U.S. Dollar. The exchange rate of U.S. Dollar was relatively stable while RMB was more volatile during the Year. The Group has no hedging arrangements for foreign currencies or interest rates. The Group reviews the exchange risk regularly and closely monitors the fluctuation of foreign currencies and will make proper adjustments and consider hedging if necessary.

CREDIT RISK EXPOSURE

The Group's credit risk primarily arises from trade receivables and contract assets. Despite the Group's major clients being institutional organisations and reputable property developers, the property market in the PRC remains in the recovery stage, with weak buyer sentiment persisting, credit risk continued to maintain at a high level.

However, the real estate market reversed its downward trend in the fourth quarter of 2024 due to a series of policy measures, leading to gradual improvement in market confidence. According to data from the NBS, as rigid and improved housing demand continues to be released, the supply-demand relationship in the market has improved, stabilising housing prices. In December 2024, the sales prices of new residential properties in first-tier cities increased by 0.2% month-on-month, marking the first rise since June 2023. Additionally, the sales prices of second-hand homes rose by 0.3% month-on-month, achieving three consecutive months of growth.

Due to the depressed market conditions, the Group has strengthened its business relationships with financially stable clients with strong financial performance and reliable repayment ability, such as state-owned enterprises.

The Group has adopted prudent credit policies to deal with credit risk exposure. The Group conducts ongoing credit evaluation of the financial conditions of its clients and implement monitoring procedures to ensure timely follow-up actions are taken to recover overdue debts. Although the Group generally does not grant any credit period to clients, exceptions may be made for specific clients, with credit terms determined on a case-by-case basis. The Group performs a monthly review on ageing periods of receivables and a quarterly review of project progress, and undertakes debts recovery actions for long-aged debts or slow-moving projects unless there is reasonable and substantiated information supporting a decision not to proceed with such actions. The Group will also actively seek collaterals for trade receivables from client groups 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 clients with different historical loss patterns 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 record, normally it takes approximately 3 years for the Group to collect its outstanding debts. Despite a 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.

Due to supportive policies from the PRC central government, the financing pressure on PRC property developers has gradually eased. According to data from the People's Bank of China, at the end of 2024, the balance of RMB real estate development loans increased by 3.2% year-on-year, with the growth rate being 1.7 percentage points higher than that at the end of 2023. This development has positively impacted the progress of the real estate projects, thereby increasing liquidity in the industry and benefiting the Group's cash collection.

As at 31 December 2024, trade receivables (in gross amount) amounted to approximately HK$226.3 million (31 December 2023: approximately HK$227.9 million), representing a slight decrease of approximately HK$1.6 million. The decrease in trade receivables was mainly resulted from continuous effort on the debt's collection by the Group, which also led to the decrease in the accumulated allowance to approximately HK$87.6 million (31 December 2023: approximately HK$91.9 million) and average loss rate of trade receivables to approximately 38.7% (31 December 2023: approximately 40.3%).

As at 31 December 2024, contract assets (in gross amount) increased by approximately HK$18.9 million to approximately HK$133.5 million (31 December 2023: approximately HK$114.6 million). The increase in contract assets was mainly due to the (i) instability of the overall real estate sales market, which made clients more cautious about the approval process of design drawings; (ii) the Group's debt collection strategy by withholding certain design drawings until the outstanding balance of previous stage was settled; and (iii) clients tend to demand stricter payment terms to alleviate their cash flow pressure. These also led to the accumulated allowance for credit losses for contracts assets increased to approximately HK$43.2 million (31 December 2023: approximately HK$34.4 million) and the average loss rate also increased to approximately 32.4% (31 December 2023: approximately 30.0%).

As at 31 December 2024, the overall accumulated allowance for credit losses was approximately HK$130.8 million (31 December 2023: approximately HK$126.3 million), and the average loss rate was approximately 36.4% (31 December 2023: approximately 36.9%), which are similar to 31 December 2023. As of the date of this annual report, approximately HK$32.5 million of the trade receivables as at 31 December 2024 have been subsequently 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 31 December 2024 has been performed appropriately and sufficient impairment losses has been made.

RISK MANAGEMENT

In order to broaden the sources of revenue of the Group, 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. The Group will continue to strengthen the internal control and risk control procedures by regularly reviewing the market risk (include foreign exchange risk and interest rate risk), operation risk, finance risk, policy risk, legal risk, political risk, contract risk and credit risk of clients and the markets.

For details, please refer to the section headed "Corporate Governance Report — Risk Management and Internal Control" of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 30 to the consolidated financial statements of this annual report.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the Group had 401 (31 December 2023: 400) full-time employees. The total remuneration of the employees (including the Directors' remuneration) was approximately HK$166.3 million for the Year (Previous Year: approximately HK$171.2 million). The decrease in total remuneration of the employees was mainly due to the continuous implementation of cost saving and manpower streaming measures throughout the Year.

To retain our competitiveness, the Group continues to offer attractive remuneration package, discretionary bonus and may also grant share incentives to eligible staff based on individual performance in recognition of their contribution and hard work. The Group also provides external training programme which are complementary to certain job functions.

SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITION AND DISPOSALS

The Group did not hold any significant investments as at 31 December 2024. The Group's management, investment committee and the Board will review investment opportunities and market risk from time to time, and monitor the financial position of the Group in order to balance the risk and investment opportunities in maximising shareholders' value.

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have any plans for material investments or capital assets as at 31 December 2024.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Leung Chi Tien Steve (梁志天先生), BBS, aged 67, is the founder of the Group and holds directorship in certain subsidiaries of the Company. He was appointed as an executive Director on 14 February 2023. Mr. Leung is mainly responsible for the brand building, market development and strategic planning of the Group, as well as creative design of the Group's key projects.

Mr. Leung is a leading architectural, interior and product designer in Hong Kong with over 43 years of experience in the architectural, interior design and decorating services industries. Prior to establishing the Group in 1997, Mr. Leung served as an architect of the design department of Wong & Ouyang & Associates from 1981 to 1983. He worked as a building surveyor of the Building Development Department of Hong Kong from 1983 to 1986. Mr. Leung was a director of ARCHITECTS AND DESIGNERS CO. LIMITED (later known as C D U ARCHITECTS, PLANNERS LIMITED), which was dissolved in 1994, from 1987 to 1990. He was also the founder and director of LKI DEVELOPMENT LIMITED (later known as LEUNG & CHOW ARCHITECTS PLANNERS LIMITED), which was deregistered in 2005, from 1990 to 2005.

Mr. Leung is a keen supporter of interior design industry and has held executive roles of major interior design organisations over the years. In December 2013, Mr. Leung was appointed as an executive officer of the design professional committee of China National Interior Decoration Association (中國室內裝飾協會設計專業委員會) and was further appointed as the deputy director of development committee since September 2018. He was appointed as the board of directors of C Foundation since December 2014 and as the chairman from December 2016 to December 2017. He was also the President of the International Federation of Interior Architects/Designers from 2017 to 2020.

Mr. Leung also assumes several social positions including the adjunct professor of The University of Hong Kong School of Professional and Continuing Education and the vice chairman of the board of directors of Hong Kong Design Centre since 2022. He was also recognised as an honorary fellow of Vocational Training Council in December 2016. In January 2023, Mr. Leung was appointed as a member of the newly set up Task Force on Promoting and Branding Hong Kong which was led by the Financial Secretary of HKSAR Government. In April 2018, January 2019 and October 2019, he was appointed as the chairman of Hong Kong Trade Development Council ("**HKTDC**") Design, Marketing and Licensing Service Advisory Committee, a member of HKSAR Trade and Industry Advisory Board and a member of HKTDC Service Promotion Programme Committee, respectively.

In recognition of his notable contributions to the interior design industry of both Hong Kong and the PRC, Mr. Leung is awarded a Bronze Bauhinia Star from the Hong Kong Government in July 2022. He has further received the Hong Kong Interior Design Association Lifetime Achievement Award in October 2022.

Mr. Leung obtained a Bachelor of Arts degree in architectural studies, a Bachelor of Architecture degree and a Master of Science degree in urban planning from the University of Hong Kong in 1978, 1981 and 1986 respectively. He has been a member of the Hong Kong Institute of Architects and a corporate member of the Royal Institute of British Architects since 1983, an associate of the Royal Australian Institute of Architects since 1984, an Authorised Person (List of Architects) registered with the Building Authority since 1994, and a member of the Hong Kong Institute of Planner since 1992. Mr. Leung is a registered architect of the Architects Registration Board in Hong Kong, a fellow member of the Hong Kong Interior Design Association and a fellow member of the Hong Kong Designers Association. Mr. Leung was a non-executive director, the chairman of the board of directors and the chairman of the nomination committee of 1957 & Co. (Hospitality) Limited (a company listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), stock code: 8495) from 2 March 2016 to 19 August 2022.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Siu Man Hei (**蕭文熙先生**), aged 69, is an executive Director and the chief executive officer of the Company (the "**Chief Executive Officer**"). He is also a member of the risk management committee (the "**Risk Management Committee**") and investment committee (the "**Investment Committee**") of the Board, respectively. Mr. Siu joined the Group in February 2007 and is mainly responsible for the business development, operation and management. He is also a director of each of the Company's subsidiaries.

Mr. Siu has over 30 years of experience in the architecture and interior design and decorating services and building industries. In July 1991, he established IE, SIU & CHUNG ARCHITECTS LIMITED, a private company in Hong Kong with limited liability which was principally engaged in architecture and design services with other partners. From July 1999 to February 2006, he was the assistant general manager of property division of Emperor Investment (Management) Limited, an investment management company, and was principally responsible for the overall management of the development projects.

Mr. Siu graduated from the University of Hong Kong with a Bachelor of Arts degree in architectural studies in 1978 and a Bachelor of Architecture degree in 1980. He became a member of the Hong Kong Institute of Architects and a member of the Royal Institute of British Architects both in 1983, and an Authorised Person (List of Architects) registered with the Building Authority in 2010. He also became a registered architect of the Architects Registration Board in Hong Kong under the Architects Registration Ordinance (Chapter 408 of the Laws of Hong Kong) in 1991.

Mr. Yip Kwok Hung Kevin (**葉珏鴻先生**), aged 46, is an executive Director, the chief financial officer of the Company (the "**Chief Financial Officer**") and a member of the Risk Management Committee and the Investment Committee. He is also the company secretary of the Company (the "**Company Secretary**"). Mr. Yip joined the Group in January 2014 and is mainly responsible for overseeing the financing, accounting and internal control, human resource and administrative management. He is currently a director of Eagle Vision Development Limited, a controlling shareholder of the Company as well as each of the Company's subsidiaries.

Prior to joining the Group, Mr. Yip joined Deloitte Touche Tohmatsu as a staff accountant in December 2002 and last served as a senior accountant of the audit department until June 2009, responsible for audit matters. From June 2009 to December 2013, he last served as an assistant financial controller of Rykadan Management Services Limited, a subsidiary of Rykadan Capital Limited (a company listed on the Main Board of the Stock Exchange (stock code: 2288) which operates and invests in real estate development, real estate investment and distribution of building materials), and was responsible for financial management and operational affairs.

Mr. Yip obtained a Bachelor of Science degree from the University of Hong Kong in 2000 and a Master of Commerce degree in fund management from the University of New South Wales, Australia in 2003.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Ding Chunya (**丁春亞先生**), aged 42, was an executive Director and the principal of Beijing Jangho Architectural Decoration Design Institute Co., Ltd (北京江河創建建築裝飾研究院有限公司) ("**Jangho Design**"), a non-wholly owned subsidiary of the Company, and has resigned on 12 February 2025 due to devoting more time to his personal affairs. He was mainly responsible for overseeing the operation of Jangho Design and the business in the PRC. Mr. Ding joined Jangho Design in September 2010, which became a subsidiary of the Company since September 2016. From April 2013 to December 2014, he was appointed as the general manager of the Xiamen branch of Gangyuan Architectural Decoration Engineering Co., Ltd ("**Gangyuan Decoration**"), the then sole shareholder of Jangho Design and a company principally engaged in the business of decoration engineering, and was responsible for the marketing, manufacture and operation of such branch.

Mr. Ding graduated from the North China University of Technology (北方工業大學), the PRC, with a Bachelor in Engineering in 2005. He was accredited as a senior interior architect (高級室內設計師) by the China Building Decoration Association (中國建築裝飾協會) in 2009. He became a deputy officer of the design committee of the China Building Decoration Association (中國建築裝飾協會) in 2015.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

NON-EXECUTIVE DIRECTORS

Mr. Xu Xingli (**許興利先生**), aged 54, is a non-executive Director and the chairman of the Board (the "**Chairman**"). Mr. Xu joined the Group in February 2014 and is mainly responsible for the overall strategy, investment planning and human resource strategy of the Group and serving as a member of the remuneration committee (the "**Remuneration Committee**") of the Board, the chairman of the nomination committee (the "**Nomination Committee**") of the Board and the chairman of the Investment Committee. He holds directorship in certain subsidiaries of the Company. Mr. Xu joined Jangho Group Co., Ltd. (江河創建集團股份有限公司) ("**Jangho Co.**") in December 2006, one of the Company's controlling shareholders and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 601886). He is currently the director and the general manager of Jangho Co., responsible for the overall strategy, investment planning, management and operations.

Prior to joining the Group, Mr. Xu served as the head of the finance department and the deputy officer of Inspur Group Limited (浪潮集團有限公司) from July 1994 to June 2001, primarily responsible for the financial matters of the branch office and the group companies of Inspur Group Limited. From March 2005 to December 2006, Mr. Xu served as the chief financial officer of Shandong Inspur Qilu Software Industry Company Limited (山東浪潮齊魯軟件產業股份有限公司), the A shares of which are listed on the Shanghai Stock Exchange (stock code: 600756), and was principally responsible for the financial management. Shandong Inspur Qilu Software Industry Company Limited (山東浪潮齊魯軟件產業股份有限公司) is principally engaged in the tobacco and electronic governance business.

Mr. Xu graduated from the Shanghai University of Finance and Economics (上海財經大學), the PRC, with a Bachelor in Accounting in 1994. He obtained the certificate of certified international internal auditor (國際註冊內部審計師) issued by China Institute of Internal Auditors (中國內部審計師協會) in 2000 and became a non-practising member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in 2009. He also became a senior accountant approved by the Beijing Senior Specialized Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in May 2013 and a senior economist (正高級經濟師) approved by the Beijing Senior Position Qualification Evaluation Committee (北京市高級職稱評審委員會) of the Beijing Human Resources and Social Security Bureau (北京市人力資源及社會保障局) in October 2020.

Mr. Ding Jingyong (**丁敬勇先生**), aged 39, is a non-executive Director and a member of the Investment Committee.

Mr. Ding is a vice president of Jangho Co. since 18 August 2011. He is also the chairman and president of Sundart Engineering & Contracting (Beijing) Limited (北京承達創建裝飾工程有限公司) ("**Beijing Sundart**"), an indirect subsidiary of Jangho Co. Mr. Ding has more than 14 years of experience in the marketing sector. From June 2008 to February 2013, Mr. Ding was a marketing manager in the Singapore branch office of Jangho Co. Mr. Ding joined Beijing Sundart as a senior marketing manager in February 2013 and subsequently served at various positions with Beijing Sundart. He was promoted to vice president in March 2015. From July 2016 to January 2018, he held the positions of vice president and general manager of the marketing centre. In January 2018, he was promoted to president. Since February 2019, Mr. Ding has been the chairman and president of Beijing Sundart.

Mr. Ding has been an executive director of Sundart Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1568) since 30 December 2022.

Mr. Ding obtained a bachelor degree in civil engineering from Hubei University of Technology (湖北工業大學) in June 2008 and a master of business administration degree from Fudan University (復旦大學) in June 2020.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Wong Man Hei (黃文熙先生), aged 53, is a non-executive Director since 12 February 2025. He is mainly responsible for overseeing and advising on the compliance and legal affairs of the Group.

Mr. Wong has extensive experience in accounting, legal and compliance matters. Mr. Wong became a member of the Hong Kong Institute of Certified Public Accountants in 1998 and a Certified Information Systems Auditor of Information System Audit and Control Association in 2000. He has been a practising certified public accountant in Hong Kong since 2001. He was also admitted as a Solicitor of the High Court of Hong Kong SAR in 2003 and has been a partner of K.B. Chau & Co., Solicitors since 2024. From October 2016 to June 2019, he was the Chief Compliance Officer of Mason Group Holdings Ltd., a company previously listed on the main board of the Stock Exchange (stock code: 273). From February 2015 to November 2016, he was the Head of Compliance of CMBC International Holdings Ltd. From October 2012 to January 2015, he was the Head of Legal & Compliance (Hong Kong Branch)/the Head of Compliance (Investment Bank Preparation Group) of China Minsheng Banking Corp., Ltd., a company listed on the main board of the Stock Exchange (stock code: 1988). From May 2011 to September 2012, he was the Head of Compliance of Piper Jaffray Asia. Prior to his experience in the compliance field, he worked at The Securities & Futures Commission (the "**SFC**") from January 2005 to May 2011 in various departments. Before joining the SFC, Mr. Wong worked in various law firms and accounting firms from August 1994 to July 2004.

Mr. Wong graduated from The Hong Kong University of Science and Technology in 1994 with a Bachelor of Engineering in Computer Science. He subsequently obtained a Postgraduate Diploma in English and Hong Kong Law from The Manchester Metropolitan University in 2000, a Postgraduate Certificate in Laws and a Master of Laws in Information Technology Law from The University of Hong Kong in 2001 and 2004 respectively.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Yi (**劉珝先生**), aged 76, is an independent non-executive Director since 11 June 2018. Mr. Liu serves as chairman of the Remuneration Committee and a member of the Nomination Committee with effect from 5 July 2024 and a member of the audit committee (the "**Audit Committee**") of the Board. He is responsible for advising on corporate governance of the Group.

From June 1992 to May 1995, Mr. Liu was an associate chief secretary of the interior decoration industry's management office of the Department of Light Industry of the PRC (中國輕工業部). From June 1995 to August 2018, he had served as secretary general of the second council, vice president and secretary general of the third council, executive vice president of the fourth council and president of the fifth council of the China Interior Decoration Association (中國室內裝飾協會), which is principally engaged in the management of the interior decoration industry. Mr. Liu is the honorary president and chairman of the industry development strategy committee of the China Interior Decoration Association currently.

Mr. Liu obtained a Bachelor degree in Commercial Economics from the Renmin University of China (中國人民大學), the PRC in 1983. He became an economist of the ministry of light industry of the PRC in 1988 and a grade A project manager in the State Light Industry Bureau (國家輕工業局) in 2000.

Mr. Sun Yansheng (孫延生先生), aged 61, was an independent non-executive Director since 11 June 2018 and has resigned on 5 July 2024 due to retirement. Mr. Sun also served as the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee. He was responsible for advising on corporate governance of the Group.

Mr. Sun qualified as a PRC Lawyer in June 1994 and founded Beijing Tian Yin Law Firm (北京市天銀律師事務所) in December 2002. From February 2013 to April 2016, he was a member of the planning committee of the China Securities Regulatory Commission, which was principally engaged in the carrying out of forward-looking research on and to propose solutions to capital market-related laws and policies, where he was mainly responsible for advising on regulatory reform as well as carrying out research on capital market supervision, registration reform and information disclosure. Since April 2016, he has been the founding partner of Beijing Duncheng Investment Management Consultation Centre (Limited Partnership) (北京敦誠投資管理諮詢中心(有限合夥)), which is principally engaged in the provision of investment advice on industries and government guidance and the management of industry funds, where he is mainly responsible for participating in the formation of industry funds, guiding the formation of local government industrial funds and serving as a listed company and government financing and strategic adviser. From 30 July 2021, Mr. Sun also serves as an independent non-executive director of China Shengmu Organic Milk Limited (中國聖牧有機奶業有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1432).

Mr. Sun obtained a Bachelor of Law degree from the Inner Mongolia University (內蒙古大學), the PRC in 1986 and a Master of Law degree from the Renmin University of China (中國人民大學), the PRC in 2003. He also received a certificate of completion for a postgraduate course in political economics from the Harbin Institute of Technology (哈爾濱工業大學), the PRC in 1999.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Tsang Ho Ka Eugene (**曾浩嘉先生**), aged 43, is an independent non-executive Director since 11 June 2018. Mr. Tsang also serves as chairman of each of the Audit Committee and Risk Management Committee and a member of the Remuneration Committee, Nomination Committee and Investment Committee. He is responsible for advising on corporate governance of the Group.

Mr. Tsang has been a founder of Gattaca Company Limited (a company principally engaged in the business of corporate restructuring, financial reengineering, business advisory and consulting) since May 2011, a consultant of GenNex Financial Media Limited (a company principally engaged in the business of the provision of financial printing services for the financial sector in Hong Kong) since January 2012, and the managing director of New Horizon Capital (Group) Limited (a company principally engaged in the business of which include private equity in Hong Kong, the PRC and overseas and the money lending business in Hong Kong) since March 2015. Mr. Tsang was an independent non-executive director of Winto Group (Holdings) Limited, a company listed on the GEM of the Stock Exchange (stock code: 8238) and was principally engaged in the business of outdoor advertising and print media from January 2015 to 2 March 2018. Mr. Tsang was appointed as an Honorary Financial Advisor of the Smart Education Charitable Foundation Limited ("**Foundation**") in June 2017, a leading provider of high quality and innovative e-learning solutions which organises and sponsors various charitable events and programmes to the students in Hong Kong, Macau and the PRC. Foundation is a charitable institution and is exempt from tax under section 88 of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong).

In December 2002, Mr. Tsang joined Deloitte Touche Tohmatsu as a staff accountant and last served as a semi-senior accountant of the audit department until February 2006. From September 2006 to March 2007, he was the company secretary and a qualified accountant of Maxitech International Holdings Limited, which was previously listed on the GEM of the Stock Exchange (stock code: 8136) and is currently known as Winfull Group Holdings Limited which is listed on the Main Board of the Stock Exchange (stock code: 183). From April 2007 to February 2015, his last position was non-executive director of MP Logistics International Holdings Limited, currently known as Capital Finance Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8239). From April 2012 to February 2015, his last position was joint company secretary of Newtree Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1323, currently known as Huasheng International Holding Limited). From May 2013 to July 2014, his last position was non-executive director of China Neng Xiao Technology (Group) Limited, currently known as China Ocean Group Development Limited, a company listed on the GEM of the Stock Exchange (stock code: 8047). From July 2014 to October 2015, he was an independent non-executive director of Mitsumaru East Kit (Holdings) Limited, currently known as Jiu Rong Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2358).

Mr. Tsang completed an accounting extension course in Australian Taxation Law and an accounting extension course in Australian Corporations Law in the Centre for Continuing Education of the University of Sydney, Australia in 2002 and subsequently obtained a Bachelor of Commerce degree in accounting and finance from the University of New South Wales, Australia in 2003. Mr. Tsang became a certified practicing accountant and a fellow of CPA Australia in 2006 and 2018 and a member and a fellow of the Hong Kong Institute of Certified Public Accountants in 2006 and 2014, respectively. He also became an associate and a fellow member of the Institute of Certified Management Accountants, Australia in 2007 and 2020, respectively, a member and a fellow of the Hong Kong Institute of Directors in 2008 and 2018, respectively, an associate, a fellow and a chartered tax adviser of the Taxation Institute of Hong Kong in 2008, July 2014 and January 2021 respectively, and an international associate of the American Institute of Certified Public Accountants in 2013.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Ms. Wang Wanjun (王婉君女士), aged 41, is an independent non-executive Director since 5 July 2024. Ms. Wang also serves as a member of the Audit Committee. She is responsible for advising on corporate governance of the Group.

Since July 2023, Ms. Wang has been serving as a consultant of Shenzhen Eastcom Times Information Technology Co., Ltd.. From November 2021 to April 2024, she was an independent non-executive director of Gome Finance Technology Co., Ltd., a company listed on the main board of the Stock Exchange (stock code: 628). From December 2018 to February 2022, Ms. Wang was the deputy general manager of corporate finance headquarters of Panghua Fund Management Co., Ltd., responsible for developing banking system collaboration resources. From June 2016 to August 2018, she was the deputy general manager of the Beijing Innovation and Research Centre of the headquarter of Zhongyuan Bank, i.e. the head of the Beijing Business Unit. From 2013 to 2016, she worked in the investment banking departments of China CITIC Bank head office and Hengfeng Bank head office respectively. Prior to that, she also worked in the planning and capital department of Hongyuan Securities headquarters and the audit department of Deloitte Touche Tohmatsu.

Ms. Wang graduated from Peking University in 2007 with a bachelor of management with double degree in Accounting and E-commerce. She subsequently obtained a Master of Business Administration from the School of Economics and Management of Tsinghua University in 2013. Ms. Wang holds a practitioner qualification in the securities/banking/fund industry in the PRC and a qualification as an intermediate accountant in the PRC. She also obtained a certificate for passing all the required subjects of the professional stage of The National Uniform CPA Examination of P.R. China.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

SENIOR MANAGEMENT

Ms. Chan Yuen Han (陳苑嫺女士), aged 41, is the financial controller of the Group. Ms. Chan joined the Group in September 2020. She is mainly responsible for assisting the Chief Financial Officer in processing and reviewing financial affairs of the Group.

Ms. Chan has over 17 years of experience in auditing and accounting. Prior to joining the Group, she worked in various accounting firms from 2005 to 2010 and joined KPMG from 2010 to 2014 with her last position as a manager of the audit department. Since 2015, Ms. Chan joined at Lark Group International Limited (a company principally engaged in entertainment, e-solutions and catering business) as a finance manager and last served as a group finance manager until 2019. From 2019 to 2020, she served as a finance manager of Hutchison Port Limited.

Ms. Chan hold a Bachelor of Business Administration (Honours) in Accounting from the Hong Kong Baptist University and is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining high standards of corporate governance. It also recognises that sound and effective corporate governance practices are fundamental to the smooth, effective and transparent operation of the Company and its ability to attract investment, protect the rights of Shareholders and stakeholders, and create values for Shareholders. The Group's corporate governance policy is designed to achieve these objectives and is maintained through a framework of procedures, policies and guidelines.

The Company's corporate governance practices are based on the principles and the code provisions as set out in the Corporate Governance Code (the "**CG Code**") in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company has, based on the principles and the code provisions as set out in the CG Code, as well as the standards and experience of the Company, adopted its own Corporate Governance Manual (the "**CG Manual**") in January 2017 as reference for the Board and the management of the Group to meet the code provisions as set out in the CG Code. The CG Manual is posted on the Company's website (www.sldgroup.com) and copies are available on request to the Company Secretary.

In the opinion of the Directors, the Company has complied, to the extent applicable and permissible with the code provisions as set out in the CG Code during the Year and up to the date of this annual report.

The Company regularly reviews its corporate governance practices to ensure on-going compliance with the requirements of the CG Code, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**").

BOARD OF DIRECTORS

RESPONSIBILITIES AND ROLE OF THE BOARD

The Board is responsible for leadership and control of the Group and overseeing the Group's businesses, strategic decisions and performance. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

All Directors have carried out their duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its Shareholders at all times.

DELEGATION BY THE BOARD

The Group has an independent management team, which is led by a team of senior management with substantial experience and expertise in the Group's business.

The Board delegates day-to-day operations of the Group to executive Directors and management of the Group with department heads responsible for different aspects of the business/functions, while reserving certain key matters in making strategic decision for its approval. When the Board delegates aspects of its management and administration functions to management, it gives clear directions as to the powers of management, in particular, with respect to the circumstances where management needs to report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Board reserves for its decisions on all major matters of the Group, including: the formulation and monitoring of all policies and directions, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that the Board procedures and all applicable rules and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances as the Company's expense, upon making reasonable request to the Board.

The day-to-day management, administration and operation of the Group are delegated to the chief executives and the senior management. The delegated functions and work tasks are reviewed periodically to ensure appropriateness to the Company's needs is remained. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

COMPOSITION OF THE BOARD

As at 31 December 2024, the Board had nine Directors comprising four executive Directors, two non-executive Directors ("**NEDs**") and three independent non-executive Directors ("**INEDs**"). The composition of the Board and its movements during the Year and up to date of this annual report are as follows:

Executive Directors
Mr. Leung Chi Tien Steve, BBS
Mr. Siu Man Hei
(Chief Executive Officer) (member of the Risk Management Committee and Investment Committee)
Mr. Yip Kwok Hung Kevin
(Chief Financial Officer, Company Secretary, member of the Risk Management Committee and Investment Committee)
Mr. Ding Chunya
(resigned with effect from 12 February 2025)

Non-Executive Directors
Mr. Xu Xingli
(Chairman of the Board, the Nomination Committee and Investment Committee, member of the Remuneration Committee)
Mr. Ding Jingyong
(Member of the Investment Committee)
Mr. Wong Man Hei
(appointed with effect from 12 February 2025)

CORPORATE GOVERNANCE REPORT (CONTINUED)

Independent Non-Executive Directors
Mr. Liu Yi
(changed in composition of Board Committees with effect from 5 July 2024) *(Chairman of the Remuneration Committee, member of the Audit Committee and Nomination Committee)*
Mr. Tsang Ho Ka Eugene
(Chairman of the Audit Committee and Risk Management Committee, member of the Remuneration Committee, Nomination Committee and Investment Committee)
Ms. WANG Wanjun
(appointed with effect from 5 July 2024) *(Member of the Audit Committee)*
Mr. Sun Yansheng
(resigned with effect from 5 July 2024) *(Chairman of the Remuneration Committee, member of the Audit Committee and Nomination Committee)*

A brief description of the background of each Director is presented on pages 25 to 33 of this annual report under the heading of "Profiles of Directors and Senior Management".

In compliance with Rule 3.09D of the Listing Rules, Ms. Wang Wanjun and Mr. Wong Man Hei were appointed as an independent non-executive Director and a non-executive Director with effect from 5 July 2024 and 12 February 2025, respectively. Each of them obtained the legal advice referred to in Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to her/him as a Director and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 2 July 2024 and 10 February 2025, respectively. Each of Ms. Wang Wanjun and Mr. Wong Man Hei have confirmed that she/he understood her/his obligations as a Director.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The NEDs and the INEDs are expressly identified in all corporate communications pursuant to the Listing Rules.

To the best knowledge of the Directors, there are no financial, business, family or other material or relevant relationships among the members of the Board during the Year. None of the members of the Board is related to one another.

The Company has arranged appropriate insurance cover in respect of legal action against the Directors.

NON-EXECUTIVE DIRECTORS

During the Year and up to date of this annual report, the Board had three NEDs, namely Mr. Xu Xingli, who is also the Chairman, Mr. Ding Jingyong and Mr. Wong Man Hei who was appointed with effect from 12 February 2025.

The responsibilities of NEDs include participating in Board meetings to bring an independent judgement to bear on the issues of strategy, policy, performance, accountability, resources, key appointment and standards of conduct; taking the lead where potential conflicts of interests arise; serving on the audit, remuneration, nomination, risk management and investment committee of the Board; and scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Year, the Board, at all times, had three INEDs, which complies with Rules 3.10(1) and 3.10(A) of the Listing Rules. At least one INED, Mr. Tsang Ho Ka Eugene, out of the three INEDs possesses appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The Board has maintained, throughout the Year, the proportion of the INEDs to at least one-third of the Board.

The Company has received written annual confirmation from each of the existing INED of his independence in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules. The Company considers each of Mr. Liu Yi, Mr. Tsang Ho Ka Eugene and Ms. Wang Wanjun to be independent.

All Directors, including INEDs, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Throughout the Year, Mr. Xu Xingli is the Chairman and Mr. Siu Man Hei is the Chief Executive Officer. There is a clear and effective division of accountability and responsibility between the Chairman and the Chief Executive Officer and each plays a distinctive role but complementing each other to ensure that there is a balance of power and authority and no individual has unfettered powers of decision and control.

The Chairman has ensured that all Directors are properly briefed on issues arising at Board meetings; all Directors received, in a timely manner, adequate information, which are accurate, clear, complete and reliable; and good corporate governance practices and procedures were established.

The Chairman has provided leadership for the Board by ensuring that the Board worked effectively and performed its responsibilities, and that all key and appropriate issues were discussed in a timely manner; drawing up and approving the agenda for each Board meeting; taking into account any matters proposed by other Directors for inclusion in the agenda.

The Chairman also encouraged all Directors to make a full and active contribution to the Board's affairs and to voice their concerns whenever Directors had different views. The Chairman ensured sufficient time were allowed for discussion of issues and ensured that Board decisions fairly reflect Board consensus and the Board acted in the best interests of the Company.

The Chairman held one meeting with the INEDs without the presence of other Directors during the Year. Effective contributions of NEDs in particular were facilitated and constructive relations between executive Directors and NEDs were ensured by the Chairman to promote a culture of openness and debate.

The Chairman has ensured that appropriate steps were taken to provide effective communication with Shareholders and that their views were communicated to the Board as a whole.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's articles of association.

The process of evaluating the skills and composition of the Board is ongoing and is kept under regular review in order to ensure that appropriate plans for succession to the Board are in place for smooth Board refreshment, and that the Board retains its effectiveness at all times. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating procedures for nomination and appointment of Directors.

Each of the Directors is engaged on a service agreement (for executive Directors) or letter of appointment (for NEDs and INEDs) for a term of three years. The appointment may be terminated by giving three months' written notice in accordance with the terms of the service agreement or letter of appointment. Any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office until the next annual general meeting ("**AGM**") of the Company, as the case may be, after his appointment and be subject to re-election at such meeting.

Pursuant to the Company's articles of association, all Directors are subject to retirement by rotation at AGM at least once every three years. At each AGM one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number of nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

BOARD DIVERSITY POLICY

Measurable Objectives and Monitoring

The Company has adopted a Board diversity policy as set out in the CG Manual with a view to achieving a sustainable and balanced development. The Board should have a balance of skills, experience and diversity of perspective appropriate to the requirements of the business of the Group in designing its composition. Diversity of the Board has been considered from a number of aspects, including but not limited to gender, age, cultural and education background, professional experience, skills and knowledge. All Board appointments will be based on merit and considered against objective criteria and contribution that the selected candidates will bring to the Board.

The Nomination Committee has reviewed the policy concerning diversity of Board members, as appropriate, the measurable objectives that the Board has set for implementing such policy and the progress on achieving the objectives and disclosed the review results in the corporate governance report annually in accordance with the Listing Rules.

Diversity of the Board

The existing members of the Board are well experienced in the interior design and interior decorating and furnishing and alteration and addition industry, investment and finance businesses. Some of them are professionals in project management, asset management, finance, accounting and legal and compliance with extensive experience. In view of the present size and complexities of the Group's operations and the nature of the risks and challenges it faces, the Nomination Committee considers the Company has struck a right balance of skills, experience, knowledge, gender and diversity among the present members of the Board.

During the Year, there was one female Director in the Board. The Board will maintain at least the current level of female representation, which complies with the amendments to the CG Code. In considering the Board's succession, the Board will continue to take opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

Gender diversity at workforce levels (including our senior management) is disclosed under the "Environmental, Social and Governance Report" section of this annual report.

CORPORATE GOVERNANCE REPORT (CONTINUED)

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Group and full awareness of Directors' responsibilities and obligations under the Listing Rules, common law and relevant statutory requirements.

The Company also continuously updates the Directors by providing briefings and professional development necessary to ensure that the Directors have a proper understanding of the Company's operations and business, and are fully aware of their responsibilities under the Listing Rules, common law and relevant statutory requirements and the Company's business and governance policies.

All Directors are encouraged to and had confirmed that they had complied with code provision C.1.4 of the CG Code during the Year, that all Directors had participated in continuous professional development to develop and refresh their knowledge and skills.

During the Year, the record of the trainings of the Directors, on a named basis, is set out in the table below.

Name of Directors	Reading journals, written training materials and/or updates	Attending courses, seminars, conferences and/or forums	Receiving briefings from Chief Financial Officer, Company Secretary and/or other executives
Executive Directors			
Leung Chi Tien Steve, BBS	✓	✓	✓
Siu Man Hei	✓	✓	✓
Yip Kwok Hung Kevin	✓	✓	✓
Ding Chunya (resigned with effect from 12 February 2025)	✓	✓	✓
Non-executive Directors			
Xu Xingli	✓	✓	✓
Ding Jingyong	✓	✓	✓
Wong Man Hei (appointed with effect from 12 February 2025)	N/A	N/A	N/A
Independent Non-executive Directors			
Liu Yi	✓	✓	✓
Tsang Ho Ka Eugene	✓	✓	✓
Wang Wanjun (appointed with effect from 5 July 2024)	✓	✓	✓
Sun Yansheng (resigned with effect from 5 July 2024)	✓	✓	✓

Note: All of the abovementioned trainings are relevant to the Group's business, the economy, corporate governance, rules and regulations, accounting, financial or professional skills and/or directors' duties and responsibilities.

BOARD INDEPENDENCE

The Board has put in place a mechanism to ensure independent views and input are available to the Board, including the following:

(i) Board Composition and Structure

The Board ensures the appointment of at least three INEDs and at least one-third of its members being INEDs, with at least one INED possessing appropriate professional qualifications, or accounting or related financial management expertise. Further, INEDs are appointed to Board Committees as required under the Listing Rules to ensure independent views are available. Separation of the role of the Chairman and the Chief Executive Officer is also implemented to ensure balance of power and authority.

(ii) Appointment of Non-executive Directors

In assessing the suitability of the candidates for appointment or re-appointment of Directors, the Nomination Committee will take into account the mix of skills, knowledge, experience, diversity of the Board, independence and the remuneration for their duties and responsibilities.

(iii) Independence Assessment

The Nomination Committee and the Board are mandated to assess annually the independence of INEDs to ensure that they can continually exercise independent judgement.

(iv) Compensation

No equity-based remuneration with performance-related elements will be granted to INEDs as this may lead to bias in their decision-making and compromise their objectivity and independence.

(v) Conflict Management

If a substantial Shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would be dealt with by a physical Board meeting rather than a written resolution. A Director who has a material interest in a contract, transaction or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same.

(vi) Independent Professional Advice

The Directors (including INEDs), upon reasonable request, may seek independent professional advice at the Company's expense, to assist the performance of their duties.

(vii) Board Evaluation

The Board assesses and reviews the time contributed by every INED and their attendance to meetings of the Board and the board committees so as to ensure that every INED has devoted sufficient time to the Board to discharge his/her responsibilities as a Director.

The Board reviews the implementation and effectiveness of the mechanism on an annual basis and considers such mechanism has been implemented properly and effectively.

BOARD COMMITTEES

BOARD PRACTICES AND CONDUCT OF MEETINGS

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance. Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and Board committees meetings, reasonable notice is generally given. Arrangements are in place to ensure all Directors are given an opportunity to include matters in the agenda for regular Board meetings.

In general, Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 business days before each Board and Board committee meeting to keep the Directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary. Queries raised by each Director would receive prompt and full response, if possible.

Draft and final versions of minutes, which recorded in sufficient detail the matter considered and decisions reached, and any concerns raised by Directors or dissenting views expressed, are normally circulated to Directors or the committee members for comment and record respectively within a reasonable time after each meeting. Minutes of Board meetings and committee meetings are kept by the Company Secretary or the duly appointed secretaries of the respective meetings (as the case may be) and are available for inspection at all reasonable time on reasonable notice by any Director.

According to the current Board practice, any material transaction, which involves a conflict of interests for a substantial Shareholder or a Director, will be considered and dealt with by the Board at a physical meeting. The Company's articles of association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

COMMITTEES

The Board has established five committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Risk Management Committee and the Investment Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which explain their roles and the authority delegated to them by the Board and are in line with the CG Code. These terms of reference are posted on the Company's website and are available to Shareholders upon request. Board committees are provided with sufficient resources to discharge their duties and are required to report to the Board on their decisions or recommendations.

AUDIT COMMITTEE

The Audit Committee comprises three members, namely, Mr. Tsang Ho Ka Eugene (chairman of the Audit Committee), Mr. Liu Yi, and Ms. Wang Wanjun, all of them are INEDs with the chairman of which possesses the appropriate professional qualifications and accounting expertise. None of the committee members is a former partner of the Company's external auditors or has any financial interest in the Company's external auditors.

Mr. Sun Yansheng, INED, resigned and another INED, Ms. Wang Wanjun was appointed as a member of the Audit Committee, both effective from 5 July 2024.

Principal duties of the Audit Committee are to monitor integrity of the Group's financial statements and accounts, to review significant financial reporting judgments contained in them, and to review the Group's financial control, internal control and risk management systems. The Audit Committee annually assesses the appointment of the external auditor and review the interim and final results of the Group prior to recommending them to the Board for approval.

The Audit Committee is also responsible for the following duties: (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of Directors and senior management of the Company; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees of the Company; and (e) to review the Company's compliance with the CG Code and disclosures in the Corporate Governance Report.

There were three Audit Committee meetings held during the Year. The Audit Committee has performed the following work during the Year and up to the date of this annual report:

– discussed the financial reporting and compliance procedures with the external auditor;

– assessed the independence of the external auditor;

– reviewed the audit plan and scope of audit for the Year;

– reviewed the audited annual results for the Previous Year and the Year, and the unaudited interim results for the six months period ended 30 June 2024;

– reviewed the methodology and calculation of impairment losses on trade receivables and contract assets under expected credit loss model;

– reviewed the Group's risk management, internal control systems, financial reporting systems, and financial and accounting policies and practices;

– reviewed the effectiveness of the internal audit function of the Company;

– reviewed findings in the internal control and risk management report; and

– reviewed the continuing connected transactions of the Group.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, the majority of them are INEDs. The Remuneration Committee comprises two INEDs, namely Mr. Liu Yi (chairman of the Remuneration Committee) and Mr. Tsang Ho Ka Eugene and a NED, Mr. Xu Xingli.

Mr. Sun Yansheng, INED, resigned and another INED, Mr. Liu Yi was appointed as the chairman of the Remuneration Committee, both effective from 5 July 2024.

Principal duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing such policy. The Remuneration Committee is also responsible for reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time.

There was one Remuneration Committee meeting held during the Year. The Remuneration Committee has performed the following work during the Year and up to the date of this annual report:

– reviewed the performance and remuneration policy of the Directors and senior management of the Company;

– assessed the performance of executive Directors;

– approved the terms of executive Directors' service contract;

– reviewed and approved the proposed remuneration of Directors and senior management of the Company; and

– reviewed matters relating to the pre-IPO share option scheme and share option scheme adopted by the Company on 11 June 2018.

Details of remuneration of Directors and key management personnel of the Company are set out in note 12 and note 33 to the consolidated financial statements of this annual report, respectively.

NOMINATION COMMITTEE

The Nomination Committee comprises three members, the majority of them are INEDs. The Nomination Committee comprises two INEDs, namely Mr. Liu Yi and Mr. Tsang Ho Ka Eugene and a NED, Mr. Xu Xingli (chairman of the Nomination Committee).

Mr. Sun Yansheng, INED, resigned and another INED, Mr. Liu Yi was appointed as a member of the Nomination Committee, both effective from 5 July 2024.

Principal duties of the Nomination Committee are to review the structure, size and composition (including skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to review the policy concerning the diversity of member of the Board, as appropriate, the measurable objectives that the Board has set for implementing such policy and the progress on achieving the objectives, and to determine the policy for the nomination of Directors in compliance with the requirements of the Listing Rules, the nomination procedures and the process and criteria to select and recommend candidates of the directorship of the Board.

The Nomination Committee is also responsible for identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, with due regard for the benefits of diversity on the Board, assessing the independence of INEDs, and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the chairman and the chief executive, taking into account the mix of skills, knowledge, experience and diversity need in the future.

There was one Nomination Committee meeting held during the Year. The Nomination Committee has performed the following work during the Year and up to this annual report date:

– reviewed the structure and composition of the Board and policy concerning the diversity of member of the Board;

– assessed the independence of the INEDs;

– reviewed the policy concerning nomination of Directors;

– reviewed the policy concerning selection and recommendation of senior management of the Company; and

– recommended to the Board on the appointment and resignation of Directors.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee comprises three members, one of them is an INED and all of them have the requisite experience and expertise to enhance the Group's existing internal risk management functions. The Risk Management Committee comprises one INED, namely Mr. Tsang Ho Ka Eugene (chairman of the Risk Management Committee), two executive Directors, namely Mr. Yip Kwok Hung Kevin and Mr. Siu Man Hei.

Principal duties of the Risk Management Committee are to monitor the Group's exposure to sanctions law risks and its implementation of the related internal control procedures, to review and approve all relevant business transaction documentation from clients or potential clients and the information relating to the counterparty to the contract along with the draft business transaction documentation. The Risk Management Committee is also responsible for periodically reviewing the Group's internal control policies and procedures with respect to market risk, operation risk, legal risk, etc, and setting out guidelines for the Company to enhance the Group's existing internal risk management functions.

There was one Risk Management Committee meeting held during the Year. The Risk Management Committee has performed the following work during the Year and up to the date of this annual report:

– reviewed the credit risk measures of the Group;

– reviewed existing and potential risk of the Group and the related measures being taken;

– reviewed any market and operational risk;

– reviewed the results of internal control report and enterprise risk assessment prepared by internal auditor; and

– reviewed the Group's risk management and internal control system, and the effectiveness of the internal audit function of the Company.

INVESTMENT COMMITTEE

The Investment Committee comprises five members, one of them is INED and all of them have the requisite experience and expertise to enhance the Company's investment strategies. The Investment Committee comprises one INED, namely Mr. Tsang Ho Ka Eugene, two NEDs, namely Mr. Xu Xingli (chairman of the Investment Committee) and Mr. Ding Jingyong and two executive Directors, namely Mr. Yip Kwok Hung Kevin and Mr. Siu Man Hei.

Principal duties of the Investment Committee are to revise and make recommendations to the Board on investments of the Group, to develop, formulate and periodically review the investment objectives and corporate policy on the investments of the Group and to oversee the implementation and execution of such objectives and policy, to supervise the legal and compliance aspects of the Group's investment activities, and to consider other topics and matters relating to the investments of the Group as requested by the Board.

There were three Investment Committee meetings held during the Year. The Investment Committee has performed the following work during the Year and up to this annual report date:

– reviewed the implementation of investment objectives and policy;

– reviewed any potential investment opportunities; and

– reviewed and reported to the Board the investment plan of the Group for the Year and the upcoming year.

DIRECTORS' ATTENDANCE RECORDS

The Directors can attend meetings in person or through other means of electronic communication including by telephone and video conference in accordance with the articles of association. All minutes of the Board meetings were recorded in sufficient details of the matters considered by the Board and the decisions reached.

There were four Board meetings held during the Year, two of which were regular meetings held for approving the final results for the Previous Year and the interim results for the six months period ended 30 June 2024. The Board has also performed the following work during the Year and up to this annual report date:

– approved the final results for the Year;

– reviewed and approved the Group's enterprise risk management, internal audit reports;

– reviewed and approved the Group's environmental, social and governance report;

– reviewed and approved the discontinuity of entering into continuous connected transaction framework agreement with connected parties after the end of the previous relevant framework agreements;

– reviewed the implementation and effectiveness of Board diversity policy;

– reviewed and approved the appointment and resignation of Directors;

– reviewed the implementation and effectiveness of the Board independence mechanism;

– reviewed any potential investment opportunities; and

– reviewed matters relating to the pre-IPO share option scheme and share option scheme adopted by the Company on 11 June 2018.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Attendance records of each Director at the Board meetings and Board committee meetings are as follows:

Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	Investment Committee	2023 AGM
Executive Directors							
Leung Chi Tien Steve, BBS	4/4	–	–	–	–	–	1/1
Siu Man Hei	4/4	–	–	–	1/1	3/3	1/1
Yip Kwok Hung Kevin	4/4	–	–	–	1/1	3/3	1/1
Ding Chunya (resigned with effect from 12 February 2025)	4/4	–	–	–	–	–	1/1
Non-Executive Directors							
Xu Xingli	4/4	–	1/1	1/1	–	3/3	1/1
Ding Jingyong	4/4	–	–	–	–	3/3	1/1
Wong Man Hei (appointed with effect from 12 February 2025)	–	–	–	–	–	–	–
Independent Non-Executive Directors							
Liu Yi	4/4	3/3	–	–	–	–	1/1
Tsang Ho Ka Eugene	4/4	3/3	1/1	1/1	1/1	3/3	1/1
Wang Wanjun (appointed with effect from 5 July 2024)	3/4	1/3	–	–	–	–	–
Sun Yansheng (resigned with effect from 5 July 2024)	1/4	2/3	1/1	1/1	–	–	1/1

"–": Not Applicable

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 for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") 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 Year.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the consolidated financial statements that give a true and fair view of the Group for the Year and to review such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors have assessed the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

A statement by auditor about their reporting responsibilities on the consolidated financial statements is set out in the independent auditor's report. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The Board is responsible for presenting a balanced, clear and understandable assessment of the Group's performance, position and prospects in the annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided the Board with sufficient explanation and information as are necessary to enable the Board to make an informed assessment of the Company's financial and other information which are put to the Board for approval.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about its reporting responsibilities for the consolidated financial statements is set out under the section headed "Independent Auditor's Report" on pages 120 to 125 of this annual report.

The remuneration charged by the Company's auditor, BDO Limited, during the Year is set out below:

Category of Services	**Fee paid/Payable 2024 HK$'000**
Audit Service	**1,080**
Non-audit Services	
– Interim review fee	**278**
– Tax services fee	**59**
Total	**1,417**

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledged its responsibility for maintaining risk management and internal control systems and reviewing their effectiveness. The Group has a set of risk management procedures and an internal control system with a clear governance structure and reporting mechanism to help the Group manage its risks in all business segments. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has established an organisational structure for risk management, which comprises the Board, the Audit Committee and Risk Management Committee, the business departments, management and employees of the Group. The Board assesses and determines the nature and extent of risks acceptable to the Group in achieving its strategic objectives, and ensures that it establishes and maintains proper and effective risk management and develops a suitable corporate risk culture.

The Group has also developed and adopted a management system for corporate risks, which provides effective solutions to risk identification, assessment and management. The Risk Management Committee identifies the risk factors affecting the Group in realising its business objectives, prioritises risks based on their possibility and impact, formulates solutions and strategies for major risks, and designates appropriate personnel to address such risks.

In addition, the Group has engaged an independent professional adviser to assist the Board and the Audit Committee in on-going monitoring of the internal control system of the Group by identifying deficiencies in the design and implementation of internal control measures and proposing recommendations for improvement. Enterprise risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year.

The Board had performed annual review on the effectiveness of the Group's risk management and internal control system for the Year by ensure the adequacy of resources, staff qualification and experience, training programs and budgeting of the Company's accounting, internal audit, financial reporting functions, as well as those relating to the Company's environmental, social and governance ("**ESG**") performance and reporting. The annual review considered:

(a) the changes, since the last annual review, in the nature and extent of significant risks (including ESG risks), and the Group's ability to respond to changes in its business and the external environment;

(b) the scope and quality of management's ongoing monitoring of risks (including ESG risks) and of the internal control systems, and the work of its internal audit function and other assurance providers;

(c) the extent and frequency of communication of monitoring results to the Board and the Audit Committee which enables them to assess control of the Group and the effectiveness of risk management;

(d) significant control failings or weaknesses that had been identified during the Year, and the extent to which they had resulted in unforeseen outcomes or contingencies that could have had, or may in the future have, a material impact on the Group's financial performance or condition; and

(e) the effectiveness of the Group's processes for financial reporting and Listing Rules compliance.

The Board considers the Group's risk management and internal control systems are effective and adequate.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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. 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, political risk, contract risk and credit risk of the clients and the markets.

Whistleblowing policy and system was established for employees and those who deal with the Group, including but not limited to clients and suppliers, to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matter related to the Group. The Group has also established policy and system that promote and support anti-corruption laws and regulations.

INSIDE INFORMATION POLICY

The Group complies with the requirements of the SFO and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

COMPANY SECRETARY

The Company Secretary is responsible for ensuring that good information flow is maintained within the Board, and the Board policy procedures, applicable laws, rules and regulations are followed. The Company Secretary is also responsible for advising the Board on governance matters and facilitating the induction and professional development of the Directors.

Mr. Yip Kwok Hung Kevin, an executive Director and Chief Financial Officer, serves as the Company Secretary throughout the Year, with sufficient day-to-day knowledge of the Company's affairs.

According to Rule 3.29 of the Listing Rules, the Company Secretary has taken no less than 15 hours of relevant professional training for the Year.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective and on-going communications with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to evaluate the performance of the Group. Therefore, the Company has established a shareholders' communication policy, which is reviewed by the Company on a regular basis to ensure its effectiveness, to promote and maintain an on-going dialogue with the Shareholders to provide them with the information necessary to evaluate the performance of the Group. There are three major communication strategies: (i) general meetings; (ii) corporate communications; and (iii) Company's website.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The general meetings of the Company provide a forum for constructive communication between the Board, senior management and the Shareholders. The chairman of the Board and Board Committees or, in their absence, other members of the respective committees, shall be available to answer questions at Shareholders' meetings. The Company is committed to maintaining a high degree of transparency by the publication of annual report, interim report and other corporate announcements to ensure the Shareholders, investors and general public receive comprehensive and timely information of the Group.

Starting from 2024, the Company would disseminate corporate communications electronically. Shareholders may access the bilingual versions of the Company's corporate communications* on the Company's website at http://www.sldgroup.com and the HKEXNews website at https://www.hkexnews.hk. Shareholders may elect to receive email notifications from the Company on the availability of the latest publications of corporate communications by providing a valid email address to the Company. Printed copies of corporate communications may also be received free of charge upon request by sending us a request form which can be accessed on the Company's website.

To promote effective communication, up-to-date information and updates on the Company's structure, the Board, business developments and operations, financial information, corporate governance practices, results of the Company (annual and interim), press releases and other information are also maintained on the Company's website.

SHAREHOLDERS' RIGHTS

The Board and management shall ensure Shareholders' rights and all Shareholders are treated equally and fairly. Pursuant to the articles of association, any Shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. Shareholders holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the secretaries of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

To safeguard the Shareholder interests and rights, a separate resolution should be proposed for each substantially separate issue at Shareholder meetings, including the election of individual Directors. All resolutions put forward at Shareholders' meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each Shareholders' meeting.

Detailed procedures for the Shareholders to convene an extraordinary general meeting, putting forward proposals at a general meeting and proposing a person for election as a Director are also available in the articles of association.

Shareholders may at any time send their enquiries and concerns to the Board in writing with contact information of the requisitionists and deposited to the Company Secretary at the principal place of business of the Company in Hong Kong at 30/F, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong or to the Group's email at ir@steveleung.com.

* Company's corporate communication include but not limited to (a) the Directors' report, its annual financial statements together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and, where applicable, summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; (f) a reply slip and (g) a proxy form. Actionable corporate communications of the Company refer to any corporate communications that seek instruction from the Shareholders on how they wish to exercise their rights or make elections as the Shareholders.

DIVIDEND POLICY

The Group aims to maintain sufficient working capital for its business operation at the same time provide Shareholders with stable and sustainable returns through the dividend policy adopted. In determining whether or not to and/or the amount of dividend to be proposed in any financial year/period, the Directors will take into account the Group's operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as may be relevant at such time. The recommendation of the payment of dividends is subject to the absolute discretion of the Board and the approval of Shareholders. Any declaration and payment as well as the amount of the dividend will be subject to the Group's constitutional documents and the Cayman Companies Act.

Dividend payments will also depend upon the availability of dividends received from the Group's subsidiaries in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including HKFRS Accounting Standards. PRC laws also require foreign-invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from the Company's PRC subsidiaries may also be subject to any restrictive covenants in bank credit facilities or loan agreements, convertible bond instruments or other agreements that the Group may enter into in the future.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in the Group's operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

The ESG report helps the Company closely monitor our sustainability performance as well as identify opportunities for improvement.

REPORTING SCOPE AND BOUNDARY

To enhance the comprehensive view of the Group's ESG performance, we have structured the data disclosed in the ESG report to reflect both the original scope of operations, including Hong Kong, Guangzhou, Shanghai, and Beijing, and the newly expanded scope that incorporates data from Shenzhen. All comparative figures and data have been meticulously revised to align with the updated reporting parameters for the Year, allowing for a more accurate and meaningful comparison of our performance across different regions.

The ESG report covers the Group's management policies, mechanisms, and measures in place during the Year in relation to environmental protection, emission reduction, safe workplace, training and drills, supply chain management, as well as community investment and engagement. Emphasis is placed on aspects that are closely related and deemed material to the Shareholders and stakeholders, as well as our full commitment to sustainable development across the Group.

REPORTING STANDARD

This ESG report has been prepared in accordance with Appendix C2 of the Listing Rules, "Environmental, Social and Governance Reporting Code" (the "**ESG Code**"). The ESG report covers both the environmental and social and governance performance of the Group, while the information on corporate governance has also been separately presented in the section headed "Corporate Governance Report" of this annual report in accordance with Appendix C1 of the Listing Rules.

Materiality

The materiality and relevance of the ESG-related issues are carefully selected and evaluated by the Company and the opinions of our internal management and various stakeholders, such that the identified material ESG issues are validated and reported in accordance with the stakeholders' concerns.

Quantitative

The disclosure of ESG key performance indicators ("**KPIs**") in the ESG report is supported by quantitative data and measurable standards. All applicable statistics, calculation tools, methodologies, reference materials, and sources of conversion factor used are disclosed when presenting the emission data.

Consistency

To facilitate comparison of ESG performance of the Group between the years, consistent reporting and calculation methodologies are adopted where reasonable, and any significant changes in methodologies are also detailed in the relevant sections. The intensity data in the ESG report is calculated on a per capita basis for the Group.

ABOUT US

OUR BUSINESS

Our principal operations involve the provision of interior design services, interior decorating and furnishing services, as well as product design services. Founded in 1997, we are an internationally renowned brand in the PRC, Hong Kong, and overseas, well-known for undertaking residential, private residence and hospitality projects that target the high-end market.

OUR PHILOSOPHY

Design without limits — Design has the power to break boundaries.

OUR MISSION

To provide the best lifestyle experience to meet clients' demands and create value to our clients, our Shareholders, and investors based on our experienced and reliable working team with extensive knowledge.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

BOARD STATEMENT

We recognise the importance of effective ESG management to sustainable business development and corporate sustainability. The Board is involved in overseeing ESG-related matters and the effective implementation of relevant ESG policies in our operations.

The Board and Audit Committee have primary responsibility for overseeing our ESG governance and risk management. This includes establishing our ESG strategies, managing ESG-related risks, and guiding management and relevant departments in developing and taking appropriate measures to implement policies. By adopting a 'top-down' management approach, the Group promotes effective communication between departments, enabling decision makers to better understand our day-to-day operations so that appropriate plans and strategies can be formulated.

The responsibilities are set out as below:

Board	• Reviewing the Group's ESG risks identified by management and Audit Committee; • Reviewing the effectiveness of ESG risk management and internal control systems; • Approving ESG strategies, action plans, objectives and targets; • Monitoring the progress and performance of ESG initiatives; and • Reviewing and approving the annual ESG report.
Audit Committee	• Assessing and determining the Group's ESG risks; • Ensuring appropriate and effective ESG risk management and internal control systems; • Monitoring the progress and performance of ESG initiatives; • Approving ESG strategies, action plans and targets; • Monitoring the update of ESG reporting guide and related ESG KPIs according to the Listing Rules; and • Reviewing and approving the annual ESG report.
Management	• Identifying, assessing and reporting ESG-related risks and opportunities to the Board; • Providing guidance on the implementation of ESG policies and measures; • Developing ESG strategies, action plans, objectives and targets; • Reporting to the Board on the progress and performance of ESG work; and • Reviewing and submitting annual ESG report to the Board for approval.
Functional departments	• Coordinating and implementing specific ESG policies and measures; • Reporting to the management of the Group on ESG work; • Collecting information and data in relation to ESG performance of the Group; and • Preparing annual ESG report and reporting to the management of the Group.

Henceforth, the Board will continue to monitor ESG-related matters and keep a close eye on the latest ESG disclosure requirements of the Stock Exchange. The Board will also ensure that all departments collaborate effectively to achieve operational compliance, take up social responsibility, and formulate ESG objectives and targets that are align with our development and goals, as far as possible in order to achieve better performance and better meet the expectations of stakeholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

CORPORATE GOVERNANCE SYSTEM OF THE COMPANY

Corporate governance is of paramount importance to the success of the Company. We put much emphasis on upholding our corporate governance system and corporate governance standards in order to enhance our corporate value, formulating and implementing good business strategies and policies. We also aim to improve the transparency of our Board and our senior management's work in order to safeguard the interests of the Company and different stakeholders of the Company.

Our Board consists of 9 members, including 3 INEDs throughout the Year and as at the date of this annual report. We have proactively promoted our board diversity strategy by appointing new Directors and continuing the appointment of existing Directors for the Board. When selecting Directors, we consider various factors, including but not limited to professional experience, skills, educational background, age, gender, race and culture. To maintain effective corporate governance, we conduct an annual review of the implementation and effectiveness of the existing board diversity strategies. To further enhance the diversity of the Board, we appointed a new female INED with effect from 5 July 2024.

There are 5 board committees currently serving under the Board, details as below:

Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	Investment Committee
Chaired by an INED	Chaired by an INED	Chaired by Chairman of the Board	Chaired by an INED	Chaired by Chairman of the Board
100% INEDs	Composition of 67% INEDs	Composition of 67% INEDs	Composition of 33% INEDs	Include an INED

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

CREATING VALUE FOR STAKEHOLDERS

We actively strive to better understand and engage the stakeholders as we strongly believe that our stakeholders play a crucial role in sustaining the success of our business in the challenging market.

We highly value the opinions of our stakeholders on business and ESG issues. Engaging with stakeholders allows us to fully understand, address and manage the core concerns of different stakeholders, fostering mutual growth and shared success. During the Year, we have conducted an ESG survey to engage different stakeholders, including our senior management, employees, clients, and suppliers.

The main stakeholders and their probable issues of concerns, along with the means of communication for the Company are as follows:

Stakeholders	Probable issues of concern	Communication and responses
HKEX	• Compliance with the Listing Rules • Timely and accurate announcements	• Meetings • Training • Roadshows • Workshops and programs • Website updates and announcements
Government	• Compliance with laws and regulations • Prevention of tax evasion • Social welfare	• Interaction and visits • Government inspections • Tax returns and other information
Suppliers	• Payment schedule • Stable supply of goods and services • Fair and open procurement	• Site visits • Business discussion and negotiation
Shareholders/ Investors	• Sustainable development • Corporate governance mechanism • Business strategies and performance • Investment returns	• Organising and participating in: o Seminars o Interviews o Shareholders' meetings • Issue of financial reports and/or operation reports for: o Investors o Analysts

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Stakeholders	Probable issues of concern	Communication and responses
Media & the Public	• Corporate governance • Environmental protection • Human rights • Open and transparent disclosure	• Newsletters on our website • Annual Report • ESG Report
Clients	• Product and service quality • Delivery times • Reasonable prices • Service value • Labour protection and work safety	• Site visits • After-sales services • Customer satisfaction survey
Employees	• Rights and benefits • Employee compensation • Training and development • Working hours • Working environment	• Union activities • Training • Interviews for employees • Staff handbooks • Internal memos • Employee suggestion boxes
Community	• Community environment • Employment and community development • Giving back to society	• Community activities • Employee voluntary activities • Community welfare subsidies • Charitable donations

We are committed to closely working and communicating with our stakeholders to improve our ESG performance and continuously create greater value and benefits for the society.

Your Feedback

We welcome your feedback on our ESG management approach and performance. Please do not hesitate to write to us at ir@steveleung.com with any comments.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

MATERIALITY ANALYSIS

During the Year, we have conducted a materiality assessment to identify the most important ESG issues to our business. We believe that appropriate input from stakeholders allows us to better understand their concerns for allowing us to review and prioritise issues, where the ESG strategies can better align with stakeholders' expectations and our commitment to sustainable development.

MATERIALITY ASSESSMENT PROCESS

Stakeholders were invited to review the importance of emerging ESG issues to our business, and the assessment was conducted in three steps: identification, prioritisation and validation.

Step 1 Identification	Step 2 Prioritisation	Step 3 Validation
• Review and identify emerging ESG issues in relation to our business; • Invite internal and external stakeholders to rate the importance of ESG topics in the form of a questionnaire.	• Collect stakeholders' feedback; • Consolidate and analyse questionnaire results, assess to identify a prioritised list of potential material issues; • Formulate a materiality matrix by plotting the ratings based on their importance to the Company and to stakeholders.	• Review and discuss with management on the prioritised list of material ESG issues for validation; • Give priority to issues having potential impact on the Group's long-term sustainable values.

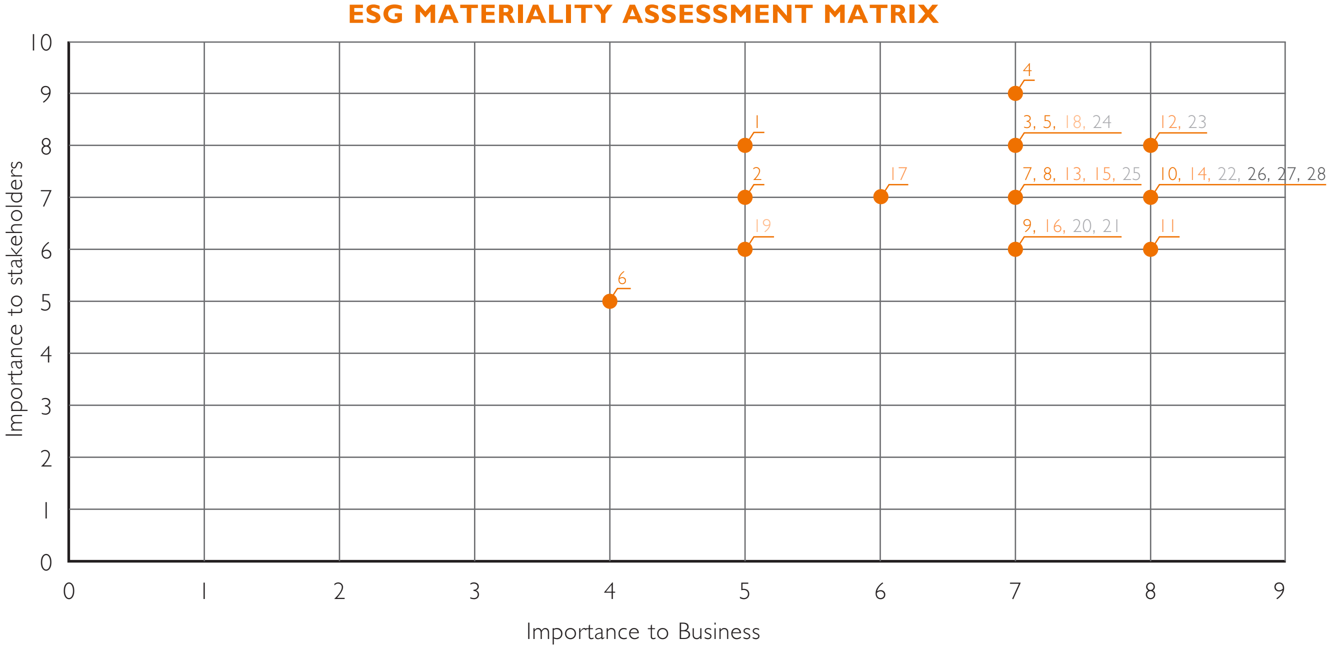
IDENTIFYING OUR MATERIAL ESG-TOPICS

We have invited both internal and external stakeholders such as the management, employees, clients, and suppliers to provide feedback in the form of a questionnaire on ESG topics relevant to the nature of our operations. There are 28 related topics covering five main areas, including environmental impact, employment and labour practices, operating practices, leadership and governance, and community investment. With reference to the scope of the ESG report and considerations of our business characteristics, as well as the results gathered from various stakeholders, all responses from both stakeholder groups were weighted equally, and the material topics identified were analysed and formulated into a materiality matrix.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

PRIORITISATION AND MATERIALITY MATRIX

With reference to the materiality matrix, the top right corner of the matrix presents the topics that are most important to both our business and stakeholders.



Environmental Impact	
1	Greenhouse gas emissions/global warming
2	Exhaust air emission
3	Energy consumption
4	Water consumption
5	Hazardous waste/liquid
6	Non-hazardous waste/sewage
7	Paper consumption
8	Forest damage
9	Use of raw materials and packaging materials
10	Compliance with laws and regulations relating to environmental protection

Employment and Labour Practices	
11	Anti COVID-19 epidemic/public health crisis
12	Employee rights and welfare
13	Inclusion, equal opportunities, and anti-discrimination
14	Talent attraction and retention
15	Occupational health and safety
16	Training and development
17	Preventive measures for child and forced labour
Community Investment	
18	Environmental protection
19	Community investment and engagement

Operating Practices	
20	Labour standards in supply chain
21	Supply chain management
22	Customers' satisfaction
23	Customers' privacy
24	Product and service quality
25	Economic performance
Leadership and Governance	
26	Operational compliance
27	Corporate governance
28	Anti-corruption

From the above materiality assessment analysis, we identified 2 key issues, which are No. 12 Employees rights and welfare and No. 23 Customers' privacy in the matrix above.

We are committed to continuously monitoring ESG issues identified to effectively deploy our resources to where they are most needed, and in ways that strategically support our business development plans. We maintain close communication with our stakeholders to ensure timely responses to all concerns and comments. We also monitor industry trends and updated regulatory requirements to better align with the ESG reporting requirements and stakeholders' ESG disclosure expectations. In the coming future, we will timely review and update the above ESG issues list to reflect our stakeholders' expectations and concerns towards different ESG issues.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

2024 PERFORMANCE HIGHLIGHTS

We are pleased to present our performance in various ESG areas during the Year.

Environmental

When compared to the Previous Year,

- Total non-hazardous waste (mainly paper waste produced) decreased by 4%
- Non-hazardous waste disposal intensity remained unchanged
- Total water consumption increased by 4%
- Water consumption intensity increased by 8%

Supporting our employees

- Women make up 53% of our workforce
- 59% of our employees have served the Company for 5 years or more
- 71% of our employees (including new joiners and leavers) participated in internal trainings
- 6 training sessions provided to employees
- Averaging training hours for employees: 3.78 hours (including new joiners and leavers)
- 0 case of work injury occurred in 2024

Operating practices

- 320 suppliers cooperating with us
- ISO9001 Quality Management System certification (Valid from 2022 to 2025)

Compliance and governance

- 2 Legal dispute cases in 2024
- 0 corruption case in 2024

Community investment and contribution

- 140 service hours for employee volunteering work
- 36 employee volunteers

ENVIRONMENTAL RESPONSIBILITY

PROMOTING ENVIRONMENTAL HEALTH

We believe that a healthy environment is the foundation for sustainable development. Therefore, we strive to integrate environmental sustainability into our business operations through various measures and adopt best practices to minimise the level and intensity of related carbon emissions as far as possible.

EMISSIONS IN OUR DAILY OPERATIONS

The Group recognises that environmental preservation is crucial and should not be compromised for corporate growth. Instead, a healthy environment served as the foundation for sustainable corporate development. As a socially and environmentally responsible organisation, the Group is committed to reducing resource consumption and minimising environmental harm, ensuring that it plays a significant role in conservation efforts.

During the Year, there was no material non-compliance with relevant laws and regulations related to the environment. We will remain vigilant for any non-compliance related to major environmental issues.

Environmental protection and emission reduction have always been among our top priorities with our commitment to promoting environmental health and human well-being through providing environmental friendly interior design services. In terms of minimising our environmental footprints, measuring relevant emissions data enables us to better understand the environmental impact of our operations, so that meaningful and effective actions can be facilitated thereafter.

Air Emissions

Although our business mainly focuses on providing interior design services, interior decorating and furnishing services and product design services, there was vehicle usage during the Year to facilitate daily business transportation for our employees, which includes the air emission of nitrogen oxides ("**NOx**"), sulphur oxides ("**SOx**"), and particulate matter ("**PM**").

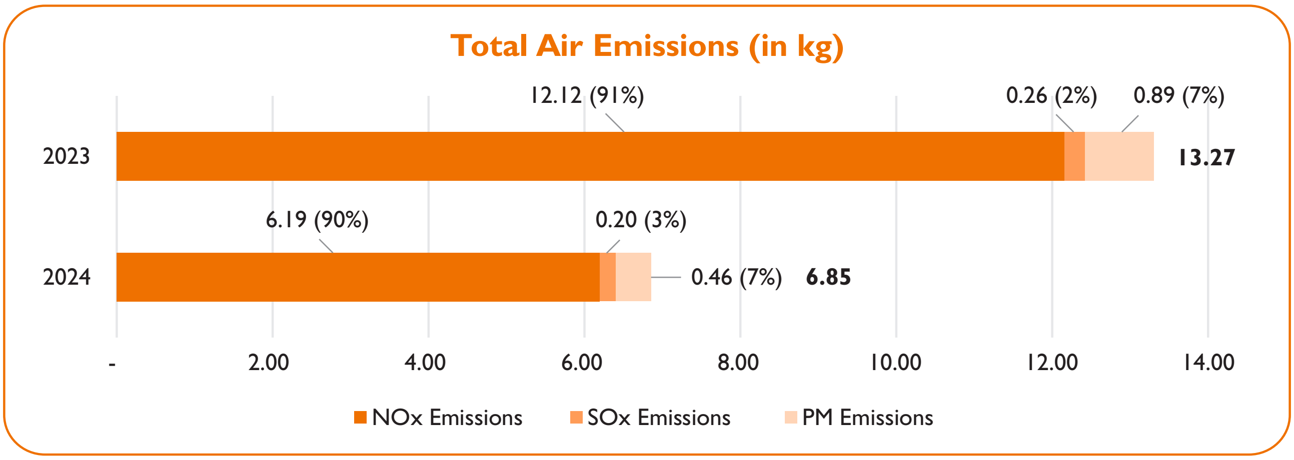
During the Year, our total air emission was approximately 6.85 kg (Previous Year: 13.27 kg[1]), with the corresponding intensity of approximately 0.02 kg per average number of employee during the Year[2] (Previous Year: 0.03 kg). The main source of air emission is vehicle usage. We have 7 private vehicles (Previous Year: 9 private vehicles) for daily business transportation during the Year, of which 5 are gasoline vehicles and 2 are electric vehicles.

1 The total air emission and the air emission intensity of 2023 has been adjusted with a more precise measurement adopted.

2 The average number of employees during the Year was 396 (Previous Year: 413). The average number of employees of 2023 is restated due to the new reporting scope.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Detailed breakdown of the total air emissions is shown in the following chart:



Our total air emissions during the Year had decreased by approximately 48% compared to the Previous Year. This remarkable decrease can be largely attributed to the disposal of two gasoline vehicles during the Year, which has been replaced by an electric vehicle. This transition not only enhances our fleet's efficiency but also underscores our commitment to adopting cleaner, more sustainable transportation options. Given that the focus on air emissions is becoming more important, we are committed to minimising the air emissions from our daily business transportation by private vehicles as far as possible. To reduce air emissions, we embrace in driving green practices in our day-to-day operations and advocate our employees to use public transportation when necessary. We will continue to ensure that our abovementioned measures are strictly followed in order to strive for improvements in our performance and scale down our air emissions in the future.

Greenhouse Gas ("GHG") Emissions

GHG are compound gases (mainly Carbon Dioxide ("**CO_2**"), Nitrogen Dioxide ("**NO_2**"), and Methane ("**CH_4**")) that trap heat in the atmosphere, and they are highly responsible for accelerating the greenhouse effect.

GHG emissions can be classified into three scopes in accordance with "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange on 25 March 2022:

Scope 1 Energy direct emissions from operations that are owned or controlled by the Company

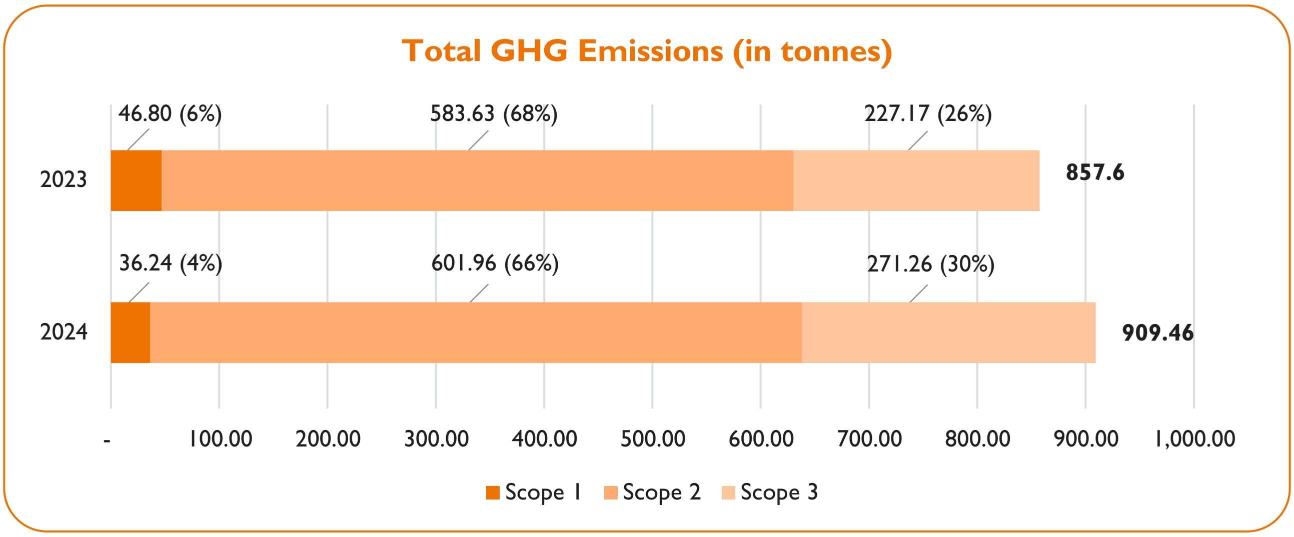
Scope 2 Energy indirect emissions from purchased electricity, heating, cooling and steam consumed within the Company

Scope 3 All other indirect emissions from both upstream and downstream activities that occur outside the Company

The major source of our GHG emissions is attributed to the energy indirect GHG emissions (Scope 2) from the consumption of purchased electricity. Other sources include the indirect emissions from the paper waste disposed at landfills, employees' business air travel, as well as the electricity used for processing fresh water and sewage by government departments (Scope 3); the direct emissions from the use of vehicles held by us in different offices (Scope 1).

During the Year, our total GHG emission were approximately 909.46 tonnes (Previous Year: 857.60[3] tonnes), with the corresponding intensity of approximately 2.30 tonnes per employee (Previous Year: 2.08[4] tonnes per employee) in the Year[3] which was due to the increase in business travel by air together with the decrease in average number of employees from 413 in 2023 to 396 during the Year.

Detailed breakdown of the GHG emissions by scope and its corresponding sources are illustrated below:



Our total GHG emissions has increased by approximately 6% compared to the Previous Year. In particular, the Scope 3 emission has increased by approximately 19% from 227.17[4] tonnes to 271.26 tonnes. The Scope 3 emission regarding paper waste disposed of at landfills during the Year has remained at a similar level of 19.30[5] tonnes, compared to 18.95 tonnes during the Previous Year. However, the emissions from business air travel by employees have increased by approximately 22% from 206.03 tonnes to 250.4 tonnes due to efforts to enhance collaborative relationships with the PRC and overseas clients. By proactively maintaining a high frequency of business trips, the Company has effectively strengthened its bonds with these clients.

Our Scope 1 emission has also been significantly decreased by approximately 23% from 46.80 tonnes to 36.24 tonnes due to increased utilisation of our two electric vehicles, coupled with the disposal of two gasoline vehicles. Our Scope 2 emission has slightly increased by approximately 3% from 583.63 tonnes to 601.96 tonnes, which remained at a similar level compared to the Previous Year.

3 The emission factor of fresh water handling for 2023 was 0.621 kWh/m^3, which was referred to the "Annual Report 2021-22" published by the Water Supplies Department, in June 2023. The emission factor of sewage handling was updated to 0.624 kWh/m^3 according to the "Annual Report 2022-23" published by the Water Supplies Department, in May 2024. The emission factor of sewage handling for 2024 is also set as 0.624 kWh/m^3 according to the "Annual Report 2022-23".

https://www.wsd.gov.hk/filemanager/common/annual_report/2022_23/pdf/WSD_AR22-23.pdf

As the emission factor of fresh water handling for the Reporting Year are updated and the business operation in Shenzhen is included in this year reporting scope, the data for 2023 is restated according to the updated emission factor and new reporting scope.

4 The average number of employees in the Year was 396 (Previous Year: 413).

5 The Scope 3 emission data for 2023 is restated due to the new reporting scope.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Although our business nature does not involve water consumption, the emissions from fresh water and sewage processing were also included in our reporting scope to raise the overall comprehensiveness of the reporting boundary and environmental disclosures. As the water supply of our Hong Kong office and Shenzhen office are managed by the building management of the leased premises, only relevant data from our offices in Guangzhou, Shanghai, and Beijing were collected. The total GHG emissions from fresh water and sewage processing remained at a similar level of 1.91 tonnes for the Year, compared to 1.84[6] tonnes for the Previous Year.

Our Implementation in Reducing Emissions

Given the harmful impact of GHG emissions on the environment, we are committed to minimising the carbon emissions from our operations to the greatest extent possible. To reduce GHG emissions, we embrace driving green practices in our day-to-day operations and committed to environmental conservation of natural resources. We also continued to implement various measures to whittle down resource consumption and carbon emissions to mitigate the corresponding environmental impacts.

Use of energy efficient appliances

Our office appliances include energy-star certified printers and copiers, which will automatically enter low-power mode when not in use, and less energy is required to perform regular tasks.

Sensitive lighting in office

Our offices are surrounded by large windows, where natural light is harvested and further permeates through our light-coloured office interior which favours light reflection. During lunch hour, the lights are switched off to save energy.

Reduce and recycle

To reduce paper waste, double-sided printing is recommended while single-sided printed papers will be collected for reuse. Paperless office is advocated and online approval system is adopted. We also recycle used toners and parts of copiers, and set up recycling bins in the offices to promote the recycling of resources including papers, plastic bottles, and aluminum cans.

Energy usage saving

To reduce electricity usage, temperature of air conditioner is set to be not lower than 26°c and turned off when there is no one in the office. Moreover, it is forbidden to use high power electrical appliances in the office, and the electrical appliances that are not in use in the office must be unplugged.

Through the above measures and our efforts in environmental protection, we will continue to ensure that our environmental practices are followed, promote among employees the concepts of avoiding unnecessary and excessive resource consumption and the virtues of resource conservation, striving to improve our performance and further scale down our carbon emissions in the future.

6 The water consumption data during 2023 has been adjusted with a more precise measurement adopted.

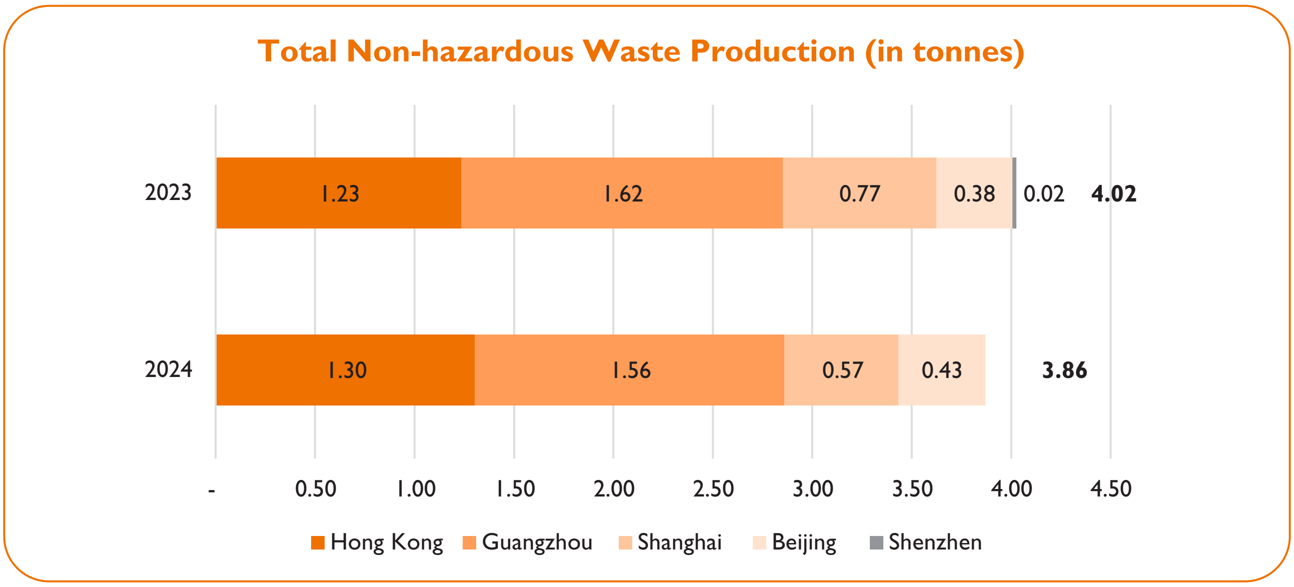
Waste Management

Waste management is important in environmental protection since it saves the environment from the toxic effects of the inorganic and biodegradable elements present in waste. To encourage waste reduction among our operations, we have formulated related policies and procedures to manage and monitor the process in solid waste collection, storage, and disposal. Besides, we are also committed to conserving the use of various resources, encouraging employees to recycle and reuse different materials as much as possible, and actively adopting various measures to reduce waste at the source.

As our business nature does not involve the use of any hazardous resources or materials, no hazardous wastes such as chemical waste was generated during the Year.

The non-hazardous waste generated during our operations primarily consisted of paper waste, decoration materials, and general office waste. In light of the declining availability of suitable landfill sites and growing concerns about the environmental impacts of waste disposal, reducing non-hazardous waste production has remained a key objective in our efforts to minimise our environmental footprint.

During the Year, the total non-hazardous waste production was approximately 3.86 tonnes (Previous Year: 4.02[7] tonnes), with a slight decrease of approximately 4% compared to the Previous Year. Correspondingly, the non-hazardous waste intensity during the Year was approximately 0.010 tonnes per employee in the Year (Previous Year: 0.010 tonnes per employee). The total non-hazardous waste produced by the Group is categorised into five geographic regions where we operate in, and is summarised as below:



[7] The non-hazardous waste production data for 2023 is restated due to the new reporting scope.

Our Actions in Reducing Waste Production

Limit production of non-hazardous waste

- Implementation of "Principles of 3Rs" (recycle, reuse, reduce), double-sided printing is encouraged, single-sided printed papers are collected for reuse.
- Recycle of used toner and parts of copiers.
- Use of electronic documents for daily business communications.
- All our purchased paper products, including printing paper, paper hand towels and tissue papers are certified by the Forest Stewardship Council ("**FSC**").
- FSC certification is awarded to products made from wood pulp sourced from well-managed forests, where it aligns with our persistence in purchasing products derived from sustainable forest operations.

We have been actively promoting various sustainable practices, such as eliminating plastics at source. To reduce the use of disposable or single-use consumables, reusable tableware is provided in the pantry where our employees do not have to use disposable plastic tableware utensils for lunch or refreshments.

Our Goal in Reducing our Environmental Impacts

With the implementation of effective environmental policies and waste reduction strategies along with staff education, the positive results demonstrated our success in the management of resource consumption and waste generation. Although the greenhouse gas emissions and waste production are deeply affected by our business performance at a certain period, we will continue to actively implement various policies and measures as needed such as reducing emissions and generation of non-hazardous waste as far as possible, to strive for better environmental performances in the coming future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Active employee engagement is crucial to our success in raising green consciousness and achieving green operations in our day-to-day practices. While promoting environmental awareness among employees, we are also exploring other possible measures to further promote the green commitment in the hopes of amplifying our efforts in decarbonisation and constructing a sustainable future.

- Low-carbon habits in the workplace
- Limit waste production and cherish resources
- Avoid plastic use in the workplace

Environmental Aspects	Our Goals	Our Progress during the Year
Air Emissions	Ensure the implementation of the above-mentioned environmental policies and measures to maintain or reduce (as feasible) air emissions from the use of private vehicles.	Our air emissions have recorded a decrease of 48% compared to the Previous Year.
Greenhouse Gas Emissions	Ensure the implementations of the above-mentioned environmental policies and measures to maintain or reduce (as feasible) greenhouse gas emissions.	Our GHG emissions recorded a slight increase of 6% compared to the Previous Year.
Waste Management	Ensure the implementations regarding the policies and measures of efficient use of resources to maintain or reduce (as feasible) our waste production.	Our non-hazardous waste production (paper waste) recorded a slight decrease of 4% compared to the Previous Year.

We are delighted to announce that our progress in the reduction of greenhouse gas emissions, and waste management is acceptable and we will persistently maintain or reduce our relevant emissions and waste production in the coming future.

We understand and notice there is increasing attention regarding sustainability development and environmental protection in the society. The HKSAR Government had announced Hong Kong's Climate Action Plan 2050 in October 2021, which strives to achieve carbon neutrality before 2050. Moreover, the State Council of the PRC had also announced the planning for carbon neutrality, targeting to achieve carbon neutrality and use of renewable energy of 80% or above by 2060.

The Group will continue to refine and improve existing environmental policies, in order to sustainably balance business growth and environmental protection. The Group aim to achieve a general reduction of 1% in overall hazardous waste and non-hazardous waste intensity by 2025, with the hazardous waste and non-hazardous waste intensity during 2023 as the baseline.

RESOURCES CONSUMPTION MANAGEMENT

Considering that resource consumption is accompanied by the corresponding environmental footprint, we have always encouraged the full utilisation of resources to maximise the expected efficiency of resources. Among the "3Rs principles", reduction in resource consumption is especially advocated and communicated to our employees for raising the overall resource efficiency. In the Year, we have also included fuel consumption from the use of vehicles in this ESG report to ensure the data are more accurately presented and reflected.

Energy Consumption

The sources of our energy consumption are mainly the use of electricity and the use of petrol for motor vehicles to support our day-to-day business operations and transportation. As the electricity consumption of our Shenzhen office is managed by the building management of the leased office premise and no vehicles are used by our Shenzhen office, only relevant data from our offices in Hong Kong, Guangzhou, Shanghai, and Beijing were collected. During the Year, our total energy consumption increase by approximately 14% compared to the Previous Year[8] due to the operation of the Design Hub in the Hong Kong office starting from April 2024, which increased the total electricity consumption. The Group's newly established "Design Hub", which is a design-driven social community space by utilising its idle office area of the Group. Electricity consumption and fuel consumption for vehicle usage accounted for 91% and 9% of the total energy consumption respectively.

Our Total Energy Consumption

2023	2024
1,324,799.87kWh	**1,508,465.82**kWh
3,207.75kWh/employee	3,809.26 kWh/employee

8 The energy consumption intensity data for 2023 is restated due to the new reporting scope.

Electricity Consumption

Total electricity consumption increased by approximately 19% compared to the Previous Year. Consequently, electricity consumption intensity[9] rose by approximately 24% to 3,475.79 kWh per employee (Previous Year: 2,794.89 kWh per employee[10]). This increase was driven by the commencement of operation of Design Hub in the Hong Kong office in April 2024, alongside a decrease in the average number of employees, from 413 in Previous Year to 396 the Year.

2023

1,154,290.87kWh

2024

1,376,412.43kWh

Electricity Consumption Intensity

2024

3,475.79 kWh/ per employee

2023

2,794.89 kWh/ per employee

Fuel Consumption

Gasoline is the major resources used in our vehicles for business transportation. We have 7 private vehicles (Previous Year: 9 private vehicles) in use for daily business operations, of which 5 are gasoline vehicles and 2 are electric vehicles. During the Year, our fuel consumption decreased by approximately 23% compared to the Previous Year. The decrease in gasoline usage was mainly due to the increased utilisation of our two electric vehicles, along with the disposal of a gasoline vehicle. The fuel consumption intensity[11] has decreased by approximately 19%.

2023

170,509.00KWh/
17,593.91L

2024

132,053.39KWh/
13,625.88L

Fuel Consumption Intensity

2024

333.47 kWh/ per employee

2023

412.85 kWh/ per employee

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9 The electricity consumption intensity data for 2023 is restated due to the new reporting scope.

10 The average number of employees in the Year was 396 (Previous Year: 413).

11 The fuel consumption intensity data for 2023 is restated due to the new reporting scope.

Our Measures in Reducing the Energy Consumption

Types of consumption	Measures
Electricity consumption	• All lightings are programmed to be automatically switched off during lunch hours • Employees are encouraged to develop energy-saving habits: o switching off unused electrical appliances o ensuring all electronic equipment is turned off after work • Maximise the potential daylighting with large windows surrounding the interior with adequate artificial lighting in our Hong Kong and Guangzhou offices
Fuel consumption	• Prioritise the use of electric vehicles when there is a need to replace the existing gasoline vehicles

Looking ahead, we will stay committed to striving for better performance in managing our electricity consumption as much as possible.

Water Consumption

The water supply to our Hong Kong office and Shenzhen office were managed by the building management department of the leased office, there was no data available for our collection. Therefore, only the data from our Guangzhou, Shanghai, and Beijing offices was collected during the Year. Comparing to the Previous Year[12], there was a slight increase of approximately 4% in our total water consumption, which remain a similar level of Previous Year. Since the water supply is provided and controlled by government departments, no water-sourcing issues were noted during the Year.

2023[13]
2,847.39 m^3

Water Consumption Intensity
6.89 m^3 / per employee

2024
2,958.23 m^3

Water Consumption Intensity
7.47 m^3 / per employee

Due to the scarcity of freshwater resources, we actively encourage the reduction of unnecessary water consumption. A policy is in place to guide the purchase of certified water-efficient equipment, which achieves at least 20% water savings compared to conventional models.

Besides, the pantry in our Hong Kong office is equipped with a pull-out faucet, allowing for better control during use. This flexible design effectively reduced the amount of running water and cleaning time required, thereby enhancing water conservation. We also have regular maintenance and inspection of water pipes, faucets, and toilet tanks to prevent leakage.

12 The water consumption intensity data for 2023 is restated due to the new reporting scope.

13 The water consumption data during the 2023 has been adjusted with a more precise measurement adopted.

Packaging Materials

As our business operations do not involve the use of packaging materials, there was no material record of disposal of packaging materials noted during the Year.

Our Goal in Boosting Resource Efficiency

Together with our employees, we will continue to embark on green practices and implement our environmental protection policies and measures to maximise the conservation of electricity, water, and material resources in order to minimise the corresponding GHG emissions and harmful impacts on the environment. Moving forward, we will explore more specific and quantified environmental targets to fit in our vision and commitment to protecting the environment and cherishing the use of natural resources, thereby ensuring a more sustainable and desirable future.

Environmental Aspects	Our Goals	Our Progress
Energy Conservation	We will persistently ensure the implementation of our electricity-saving policies and measures to maintain or reduce our electricity consumption.	Our total energy consumption recorded an increase of 14% compared to the Previous Year, with the electricity consumption increased by 19% and fuel consumption decreased by 23% respectively.
Water Conservation	We will persistently ensure the implementation of water-saving policies and measures to maintain or reduce our water consumption.	Our water consumption recorded a slight increase of 4% compared to the Previous Year.

We are delighted to announce that our progress in the conservation of energy and water is acceptable and we will persistently maintain or reduce our electricity and water consumption in the coming future. The Group will strive to keep on improving consumption efficiency, to balance business growth and environmental protection. The Group aims to achieve a general reduction of 1% in overall energy and water consumption intensity over a 3-year period ending on 31 December 2026, using 2023 as the baseline year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

PROMOTING ENVIRONMENTAL AWARENESS AND GREEN DESIGN

In addition to the abovementioned environmental protection practices, we have always been committed to promoting environmental health and human well-being through continuous innovation of green interior designs and incorporating environmental sustainability into our designs.

Certification of Environmental Management System

We have also obtained the ISO14001:2015 certification on environmental management system standards applicable to the provision of interior design and project management services in the PRC and Hong Kong.

ISO 14001

Management System Certificate

This is to certify that the Management System of

STEVE LEUNG DESIGNERS LIMITED
30/F, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Kowloon, HK

has been assessed and found to be in accordance with the requirements of

ISO 14001:2015
Environmental Management System Standard

for certification scope of

Provision of interior design and project management services

Subject to the continued satisfactory maintenance of the Management System, this Certificate is valid until: 29 May 2025

For and on behalf of
DW Certification Limited

General Manager

Issue Date: 26 May 2022 (recertification)
Certificate No.: DWC – 1093A
Original Certification Date: 30 May 2016

This Certificate remains the property of DW Certification Limited and must be returned upon request. It must not be altered in any way. Intentional misuse of this certificate will result in cancellation without prior notification.

Registered Address: Unit A15, 17/F, Prince Industrial Building, 706 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong Telephone: (852) 6742 6476

ISO 14001

Management System Certificate

This is to certify that the Management System of

STEVE LEUNG DESIGNERS LIMITED
梁志天室内設計（北京）有限公司
梁志天室内設計（深圳）有限公司
梁志天室内設計（天津）有限公司
梁志天裝飾設計（天津）有限公司
梁志天私宅設計（天津）有限公司
思路室内設計（天津）有限公司

has been assessed and found to be in accordance with the requirements of

ISO 14001:2015
Environmental Management System Standard

for certification scope of

Provision of interior design and project management services

Subject to the continued satisfactory maintenance of the Management System, this Certificate is valid until: 29 May 2025

For and on behalf of
DW Certification Limited

General Manager

Issue Date: 26 May 2022 (recertification)
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Original Certification Date: 30 May 2016

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Registered Address: Unit A15, 17/F, Prince Industrial Building, 706 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong Telephone: (852) 6742 6476

Certification of ISO 14001:2015 Environmental Management System Standard

Driving Green Designs and Habits

The growing market trend for green building and green interior designs and decorations has captured increasing interest among our clients particularly building owners and developers. This trend opens up new opportunities in the interior design and decorating services market. As an industry leader, we leverage our reputation and expertise to promote the environmentally responsible design concepts. By transforming our selection of materials, products, and equipment in our design projects, we continuously advance our efforts toward more sustainable and greener operations.

Thinking One Step Ahead

During the design and planning process, we work to integrate environmentally conscious features into our projects as far as practicable. Since 2019, we have a Design Standards Guideline concerning Environmental Health for driving environmentally friendly designs. In the case where paints, coatings, adhesives, sealants, or even wooden products are to be used, these products must have a low volatility property and a green certification. Furthermore, energy- and water-efficiency electrical appliance and sanitary wares (e.g., faucets) with corresponding efficiency labels are promoted in our design projects. This approach ensures that sustainability and environmental considerations are fully integrated into our design projects and decision-making processes, empowering our designers to collaborate with industry professionals in creating a pleasant and ecologically responsible environment.

Spreading Environmental Awareness

To raise our employees' awareness towards environmental issues, we have also adopted different advocacies towards non-business-related issues. Display screens are set up in our office area to enlighten our employees of different environmental topics.

CLIMATE CHANGE AND ENVIRONMENTAL RISK

Climate change refers to the long-term shifts in temperatures and weather patterns. Although it could be a natural phenomenon, human activities that led to increased GHG emissions have accelerated the greenhouse effect and global warming, making it the primary driver of climate change and one of the greatest contemporary challenges to the life of humanity and the health of the planet.

We acknowledge the potential challenges and impacts of climate change that could affect our business sustainability, and that we are also aware of the market trend of transitioning into a lower carbon footprint economy. As the changing climate introduces both long-term and short-term uncertainties towards our operations, we are expected to face new challenges brought by climate change. In response, we have actively monitored the associated risks and impacts brought by climate change, conducted risk assessments on the relevant ESG-related topics and incorporated climate considerations into our decision-making process, so that better preparation and management could be arranged for capital allocation, service development and supply chain management in response to the potential climate-related uncertainties that may affect us.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Climate change risks and measures

There are several highlighted potential risks and impacts of climate change brought to our business. We therefore take timely responses and measures to reduce the losses caused by climate change and environmental risks.

Climate change risk		Potential impacts	Risk responsible measures
Physical risks	Short-term	• Higher frequency and severity of extreme weather events endanger the safety of employees, increase the risk of property damages, and cause disruption to the supply chain and logistic functions.	• Special work arrangements have been implemented to minimise the potential risks of injury and accidents. • Office liability insurance, property-all risk insurance for the offices of Hong Kong and the PRC are procured to avoid the impact of property damage.
	Long-term	• Change in climate conditions may affect the supply chain of the Group, which may increase production costs, thus bringing negative financial impact to the Group.	• Prepare for financial budget and conduct variance analysis on the actual cost of sales periodically and keep close attention to the factors that affect the increasing costs.
Transitional risks	Policy and legal update	• More environmental protection-related climate policies may increase the capital investment, and our expenditures to fulfill the emerging environmental requirements and standards. • Potential implementation of carbon taxes and mandatory regulation of carbon pricing mechanisms in different industries which incur additional costs.	• Actively monitor and regularly update on the existing and emerging trends, policies, and regulations adopted by the government and non-governmental organisations to the Board and senior management of the Company.
	Market	• A shift in market preference away from traditional client expectations towards the adoption of more environmentally friendly alternative products and services could potentially lead to increased operating costs and affect our revenue.	• Conduct ESG-related risk assessment on climate change. • Consider the environmental standards and certifications obtained, and any green products and services provided while conducting suppliers' assessment.

Nonetheless, we remain committed to making a greener commitment to achieve long-term success and become an environmentally responsible corporation while enhancing our corporate strength.

SOCIAL RESPONSIBILITY

GROWING WITH OUR PEOPLE

We believe that employees are an important asset to our success. We have always been committed to providing a harmonious working environment and growing together with our employees since we strongly believe that it supports the development of both parties and our business in the long run.

Employment Practices

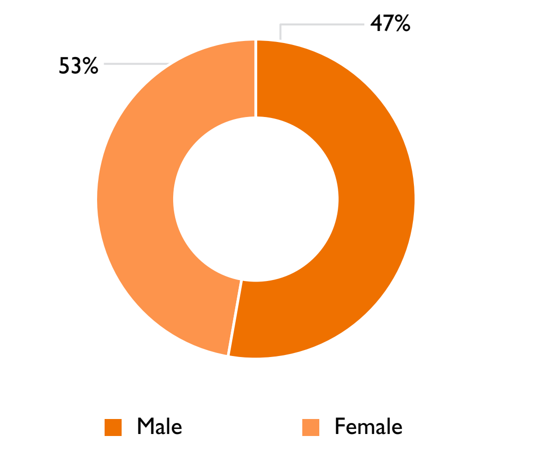
We embrace the principle of equality, diversity, and inclusion as we strongly affirm that an equitable and multicultural environment nurtures abundance in terms of talents, perspectives, and advancement across roles, where people from different backgrounds are able to learn and grow in collaboration. We believe that openness and inclusiveness enable our team to be more creative and accountable, so that we can better serve our clients' needs. In recognition of the contributions of our loyal and dedicated employees, an annual awards ceremony is held every year to show appreciation for each individual's professional achievements.

Our Employee Composition

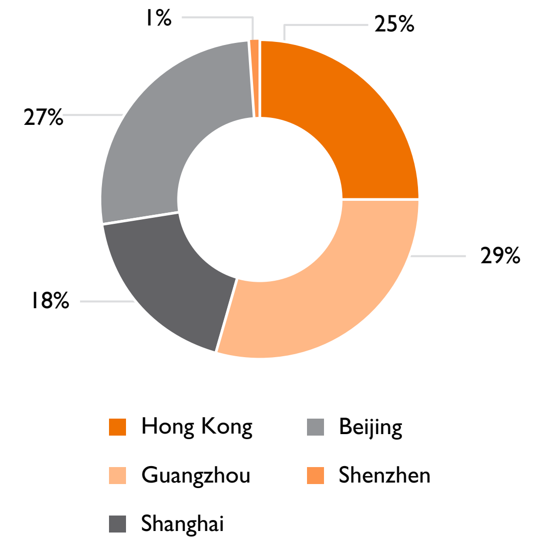
As at 31 December 2024, we had 401 employees in our Hong Kong, Guangzhou, Shanghai, Beijing, and Shenzhen offices. We believe that a diverse and inclusive workforce can advance our business development through innovative ideas and enhance communication among talents. Committed to growing our business with employees, we are pleased to announce that 59% of our employees have served the Group for more than 5 years. The composition of our employees is detailed as follows:

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

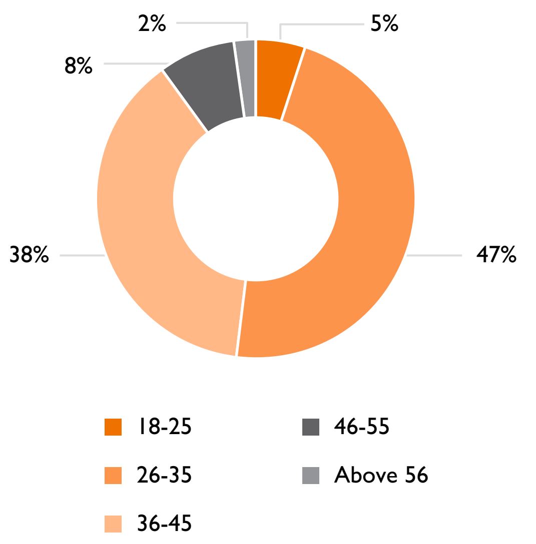
By Gender



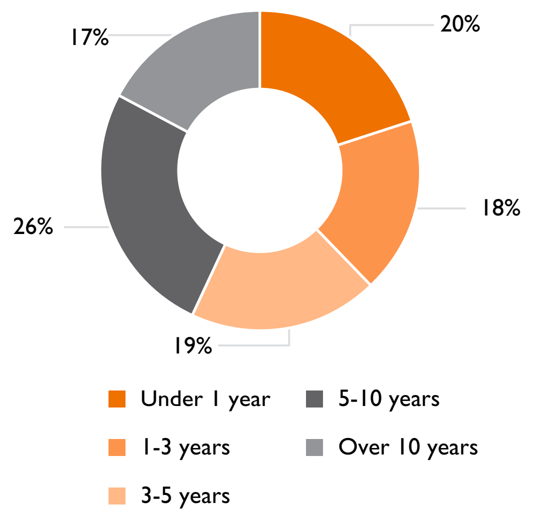
By Region



By Age Group



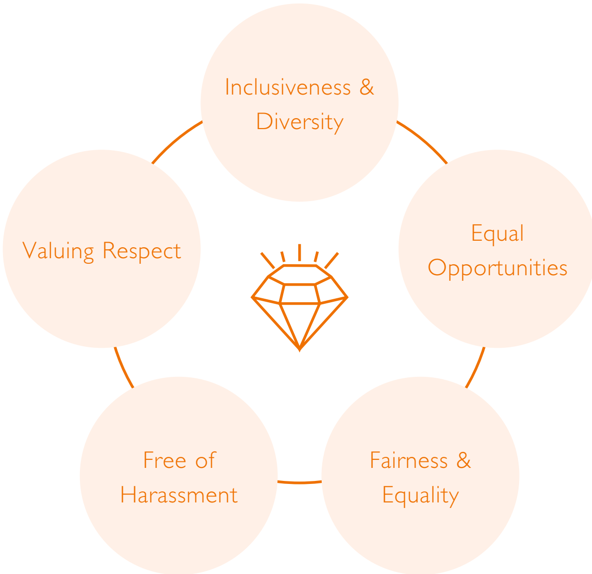
By Years of Service



Creating Values amongst a Harmonious Workspace

A harmonious working environment is fundamental for employees to thrive and nurture abundance. We believe that an equal, inclusive, and diverse work environment is momentous to unleash the potential of our employees, inspire innovative ideas, and help stimulate collaboration.

As an equal opportunity employer, we are dedicated to fostering diversity and inclusion in our recruitment and talent development processes, in which equality and respect is promoted in the hiring process and onto all aspects of our work. We aim to provide fair and inclusive growth opportunities for our employees regardless of their ethnicity, colour, religious belief, age, gender, sexual orientation, nationality, citizenship, disability, marital status, or any other characteristic protected by law. Moreover, we also strive to create an equitable and healthy working environment that is free of intimidation, hostility, or any other form of harassment, while protecting the rights and interests of employees in the workplace. We have also stipulated a policy on the Prevention of Sexual Harassment to further emphasise our zero tolerance against sexual harassment.



Honest and constructive feedback from employees is also important in promoting our development. As such, a grievance procedure is in place, if employees have any questions or complaints related to their work and the Group, they are welcome to discuss the matter with the Directors. If further assistance is needed, employees can submit a written complaint to the Chief Executive Officer. All complaints will be considered fairly and effectively while all the information received will also be kept confidential so that employees feel safe and comfortable to expressing their ideas and concerns.

Besides gender, ethnicity, and nationality, we aim to expand diversity and inclusiveness by embracing a wider range of views and opinions, so that respect and tolerance for individuality and uniqueness can be fostered, creating an unbiased environment that enables us to better tailor our services while maximising our specialties and skills.

Employee Benefits

As a caring employer, we provide our dedicated and talented employees with comprehensive employee benefits. We also consider employees' rights and welfare as our priority to foster our relationship with our employees. We provide various types of insurance to our employees in Hong Kong and the PRC. Employees who work in Hong Kong are entitled to the Mandatory Provident Fund and employees' compensation insurance, and covered by Health Insurance Scheme to cater the basic medical care needs of employees. On the other hand, employees working in the PRC are entitled to Social Insurance and Housing Provident Funds related to the local regulations of the respective region.

To inspire a healthy lifestyle and provide a better working environment for our employees, we provide and replenish healthy beverages and snacks in the pantry every day. The office also avoids highly processed food and ingredients to reinforce the philosophy of healthy eating.

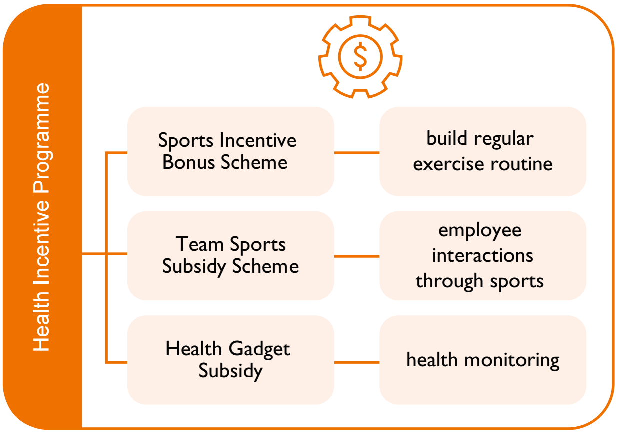
Career Growth

The objective of our human resource management is to reward and recognise performing staff by providing them with a competitive remuneration package and implementing a performance appraisal system with appropriate incentives. Our annual employee appraisal is an essential milestone for our employees to understand and reflect upon their performance and potential career growth. Through appraisals, we can also evaluate the performance of employees to better address our development needs and advance in providing appropriate assistance to boost employees development. With reference to the appraisal results, contributing employees are rewarded with promotions and salary raises to show appreciation for their efforts. Besides, year-end bonuses may also be awarded to employees based on their performances and our business performance of the year to share our achievements.

Work-life Balance and Productivity

A good work-life balance helps employees reduce stress and prevent burnout in the workplace, thus leading to increased productivity. With reference to the level of employment, employees are entitled to 12 to 24 days of annual leave per year, as well as 1 day of birthday leave in the month of their birthday. We also provide employees with various types of leaves, including marriage leave, compassionate leave, maternity leave, paternity leave, etc., to meet the needs of employees or their families. Gift vouchers such as wedding gift vouchers and baby gift vouchers are also offered to employees who get married or give birth to newborns to give our blessings to them and their families. Besides, while fixing the 8-hour working day, we provide employees with more flexible working hours to enhance employee productivity and well-being.

In additions, we advocate a healthy lifestyle as the foundation of employee happiness and well-being. To support this commitment, we have established a Health Incentive Program designed to cultivate healthy living habits among our team. This program includes the Sports Incentive Bonus Scheme, which motivates employees to develop and maintain a regular exercise routine, and the Team Sports Subsidy Scheme, which fosters employee interaction while enhancing the benefits of group exercise. The Health Gadget Subsidy also encourages employees to proactively monitor their health with modern wellness technology.



We also provide public leisure areas in our Hong Kong and Guangzhou offices for employees to take breaks or have casual meetings, as we believe that a comfortable working environment can stimulate the creativity of employees, thereby enhancing their artistry and productivity.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Talent Retention and Management

With the aforementioned welfare and benefits for our employees, as well as our aspiration to achieve mutual growth, our monthly average turnover rate is approximately 2% in the Year. In particular, the average monthly turnover rate of employees by gender was approximately 3% for males and 2% for females, while by age group was approximately 5% (18 to 25 years old), 3% (26 to 35 years old), 1% (36 to 45 years old), 1% (46 to 55 years old) and 1% (over 56 years old). Additionally, the average monthly employee turnover rate by geographical region was around 2% for Hong Kong, 1% for Guangzhou, 4% for Shanghai, 3% for Beijing, and 0% for Shenzhen.

Looking ahead, we will continue to provide a safe and harmonious working environment for our employees, strive to achieve simultaneous growth between our business and talents, and continuously expand the talent team.

KEEPING OUR EMPLOYEES SAFE AND HEALTHY

Building Supportive Working Environment

Given the importance of a stable and safe working environment, we are committed to safeguarding the health and safety of all our employees. We have set up various gadgets in our offices to improve the working conditions for our employees. For instance, air monitoring devices are installed for the sake of monitoring the indoor air quality and pollutant level at the offices, in which related information and data are displayed on the digital monitor in the pantry for employees' reference. Adjustable computer stands are also provided to employees so that they can work in standing or sitting positions according to their preferences.

Our Hong Kong office has achieved the WELL Certified™ Gold Certification issued by the International Well Building Institute (IWBI™). WELL™ is a performance-based system that measures, certifies, and monitors features of the built environment that impact human health and well-being through behaviour, operations, and design in seven factors. Having considered the importance of fostering well-being, our Hong Kong office has satisfied all the preconditions of the WELL™ New and Existing Interior Projects and achieve a minimum of 60 points in the applicable optimisations scoring system to achieve the gold certification. Features such as reduced indoor air contaminants and ample daylight exposure in our office ensure the quality of the indoor environment, thereby providing our employees a safe and healthy workspace that fosters performance and creativity without compromising their wellness.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Maintenance of Office Hygiene

To ensure office hygiene and prevent the spread of infectious diseases, the essential supplies such as disposable surgical masks, alcohol-based hand sanitizers, and alcohol wipes are provided in all of our offices. Additionally, we arrange regular outsourced atomising disinfection services during non-office hours in Hong Kong office. To further enhance our office hygiene, we have also set up an air sanitization nebulizer in the office area to continuously disinfect the environment during working hours.

Promoting Health and Wellness Office

We have implemented initiatives to promote health and wellness in our offices. For instance, a digital display screen is placed next to the sinks in our pantry areas to remind employees about the importance of proper hand hygiene. We also organize regular Influenza Vaccination outreach services for our employees during the Winter Flu Season to prevent flu infections.

Office Safety

To maintain occupational health and safety in our offices, we recognise the importance of both preventive and reactive approaches in managing accidents. We believe that preventive measures are especially critical as they are more cost-effective and can significantly reduce the risk of avoidable incidents.

Our offices are equipped with adequate first-aid kits and fire safety equipment, including fire extinguishers, fire hoses, and smoke alarms to address emergencies. Furthermore, we encourage employees to familiarise themselves with escape routes and actively participate in emergency drills to be well-prepared for evacuation procedures.

During the Year, we are delighted to report that there were 0 cases of work injury, and 0 fatalities were reported (2023 and 2022: nil). Looking forward, we will continue to promote occupational health and safety to our employees and strive to avoid any work-related injuries or accidents as our greatest extent.

2024: 0 — **Work-related injury cases**

2024: 0 — **Lost days due to work injury**

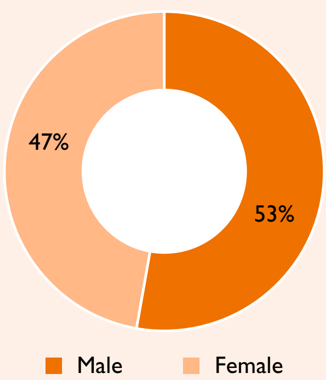
2024: 0 — **Work-related fatalities**

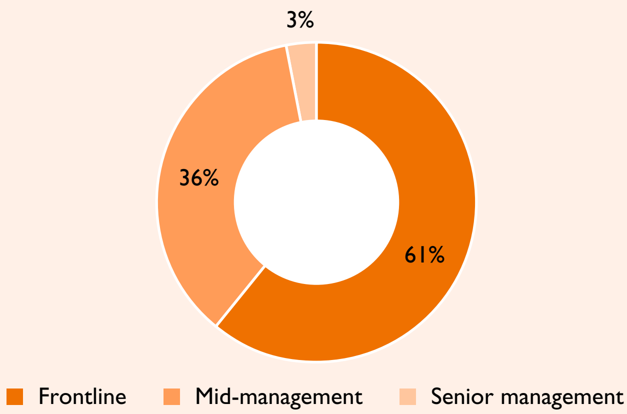
BUILDING AND DEVELOPING OUR TALENTS

Committed to offer adequate and effective training and development opportunities, we emphasise the importance of enhancing the skills and ability of our employees to drive both personal and career development. To ensure that new employees are well integrated into the Group, induction training is offered to help them understand the expectations, performance, and our culture, while they can also get a better idea of their roles and familiarise with the day-to-day operations. Besides, we also organise in-house training regularly to elevate the skills and knowledge of our employees while also keeping them informed of the latest design trends in the industry and market. In addition to in-house training, our employees are also entitled to 3 days of exam leave per year to prepare and sit for exams related to their job responsibilities. Moreover, we also sponsor employees to participate in external seminars and exhibitions to inspire and widen their horizons. Besides staff enhancement, we also pay great attention to the competency requirements of our employees at all levels to ensure that they grow in harmony with the Group. Both the initial employee performance evaluation and annual performance assessment are conducted to facilitate two-way communication between the management and employees, which also helping the management to better understand the training and development needs of our employees. Below were the training-related figures during the Year[14]:

6 training sessions

71% of the employee participated training sessions





Male	**4.03** hours
Female	**3.55** hours

Frontline staff	**4.11** hours
Mid-management	**3.93** hours
Senior management	**1.13** hours

Average training hours **3.78** hours per employee

[14] The total number of participants include the new joiners, existing employees and the resigned employees of the Company during the Year.

PROTECT THE RIGHTS OF OUR EMPLOYEES

Respect for our employees' human rights has always been an integral part of our approach to sustainable development. We fully comply with labour laws and other relevant legislation that prohibits child labour and forced labour. During the recruitment process, document with legal qualifications to work in Hong Kong, Shanghai, Guangzhou, Beijing or Shenzhen are obtained and verified by potential candidates. We will not employ any person below the minimum age requirement for employment in the jurisdictions in which we operate or conduct business. Violence that forces employees to work with the intention of deliberately causing hardship, threats and/or corporal punishment is strictly prohibited. Through the whistle-blowing system, all employees are welcome to raise any injustice they face. The management will also investigate any reported cases immediately and take further follow-up actions if necessary. If cases of child labour and forced labour are discovered, we will terminate the labour contracts and transfer the cases to the relevant judicial authorities for handling. Follow-up investigations will be conducted to find out the reasons and modify the employment management measures to rectify the loopholes.

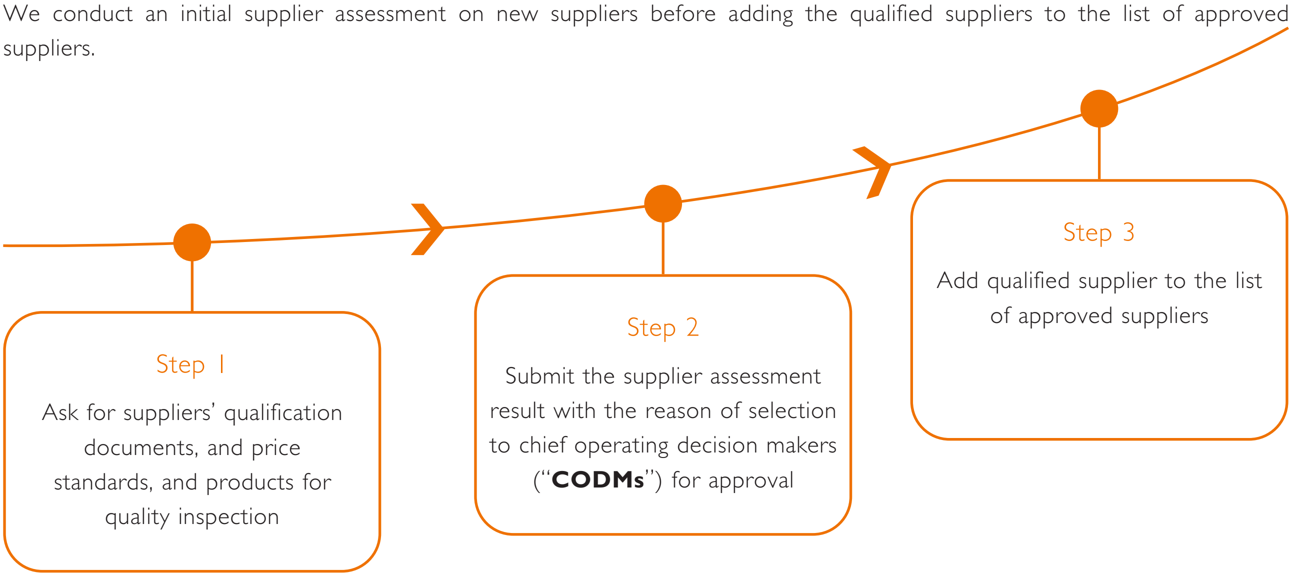
During the Year, there was no material non-compliance with applicable laws and regulations in relation to labour standards. We comply with all immigration laws and regulations.

CREATING SUPPLY CHAIN ECOSYSTEM

We implement strict management on our suppliers to support the robust growth and development of our business. We maintain a list of approved suppliers that meet our procurement requirements and only place purchase orders with the suppliers on the list to ensure product quality and reduce the risk of any potential supply chain disruptions.

Our Supply Chain Management

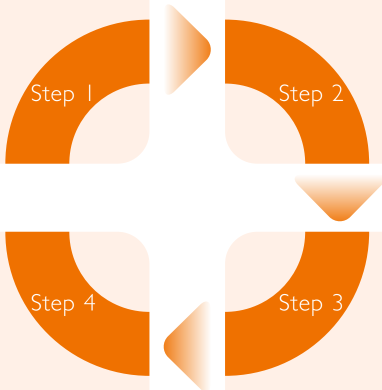
We conduct an initial supplier assessment on new suppliers before adding the qualified suppliers to the list of approved suppliers.



We regularly conduct suppliers' performance evaluations after engagement.

Step 1: Score the quality of services provided by suppliers immediately after completion of project.

Step 2: Scores reflected in the *Design Resources System* system for evaluating the suppliers.



Step 3: Scores circulated to CODM annually for monitor and review.

Step 4: Consider to remove suppliers with continuous low score from the list of approved suppliers by the senior management.

As of 31 December 2024, there were 320 suppliers cooperating with us, including 46 suppliers located in Hong Kong, 251 suppliers located in the PRC, and 23 suppliers located in other regions such as Thailand and Singapore.

Indicators in Supplier Selection

To effectively evaluate and manage environmental and social risks within the supply chain, we employ a comprehensive set of criteria, including output quality, service quality, operational efficiency, and environmental considerations. Manufacturers holding environmental assessment certifications serve as critical indicators of their commitment to sustainability and their ability to meet our expectations.

Furthermore, safety management is a key criteria for determining supplier qualifications. We assess the safety management practices of our suppliers through observations during on-site receipt of goods, ensuring that workers involved in designated production processes possess the necessary skills and that the working environment is maintained in a neat and orderly manner. All manufacturers are required to adhere strictly to production requirements and standards, which serve as essential guidelines for ensuring product quality and upholding health and safety protocols. Suppliers and manufacturers are obligated to replace defective products identified during inspections to ensure compliance with established standards.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Green Supplier Selection

Suppliers are also encouraged to demonstrate their corporate social responsibility by adhering to corporate social responsibility standards and business ethics in workplace operations, marketing activities, social interactions, and environmental responsibility. We employ high ethical standards, including prohibiting the offer and acceptance of bribes and/or other unfair advantages. Information such as business activities, business structure, financial condition, and financial performance should only be disclosed in accordance with applicable laws and regulations. In order to promote cooperation with environmentally friendly suppliers and the use of environmentally friendly products, we have also established a set of mandatory requirements regarding the design standards for environmental health and safety. These standards must be adhered to by our designers when carrying out their project responsibilities, ensuring that environmental considerations are effectively integrated and enhanced throughout the process.

PRODUCT RESPONSIBILITY – ENSURE QUALITY SERVICES

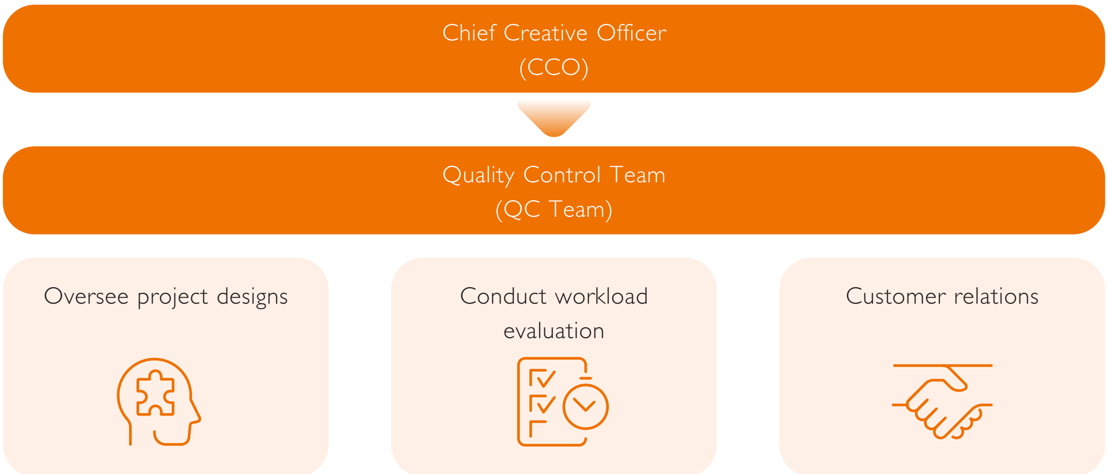
Quality Control

We are committed to providing high-quality and reliable services according to our clients' requirements. Regarding client service procedures, we have developed a comprehensive design quality control manual illustrating the particulars of the contents, the level of detail of the different documents, labelling requirements for samples, as well as the typical scope of work. The Customer Relationship Management system is responsible for the assessment of the quality of our services, while a detailed checklist that defines and specifies the working procedures at different stages is also developed to ensure the quality of the services provided. Moreover, we have also obtained ISO 9001:2015 ("**Quality Management System Standard**") certification in 2022.

Certification of ISO 9001:2015 Quality Management System Standard

Headed by our chief creative officer, our quality control team oversees the designs developed by each design and decoration team for individual projects. The team is also responsible for workload evaluations, project management, and customer relations. By monitoring employee performance and corresponding workloads, the team ensures the maintenance of high work quality while addressing the detail of the project. Our recognition as the "Designer of the Year" at the Best of the Best 2024 Awards by Robb Report Lifestyle China, along with receiving an award in the "Fast Food Category" at the Food in Space Awards 2024, exemplifies our unwavering commitment to service excellence and quality standards.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)



There was no material non-compliance with applicable laws and regulations related to product responsibility. In view of our business nature, no products were recalled due to health and safety reasons.

Fostering Responsible Consumption through Green Designs

As aforementioned in previous sections, we strive to promote environmental awareness through our services advocating responsible consumption, in a way that we help clients meeting their needs while limiting and reducing possible harmful environmental impacts incurred during the process. Clients have a rising interest towards responsible consumption and using green products, we have been working to maximise the use of certified green products with low environmental impacts since 2019. For instance, we have made the use of energy-efficient appliances and products with low volatility a mandatory requirement for our designers to ensure that environmental impacts from projects are minimized since the initial design phase.

Client Service Management

Effective communication is crucial in building customers' satisfaction where we provide timely and appropriate assistance for ensuring a smoother delivery during project particulars. Customer satisfaction is of paramount importance to us as we put clients at the heart of our business. To better understand customers' preferences and requirements, our design teams regularly hold meetings with clients to ensure project delivery and expectations are met. Different deliverables such as layout plans, image boards, computer-generated images, sample boards, dimensional plans, and working details are also delivered to our clients from time to time so that the project progress can be well-communicated to clients during the process. Moreover, we have also set up a customer services procedures to guide our employees in strengthening the business development and cultivating a professional corporate image for our clients.

When complaints are received, corrective and preventive actions will be considered to uphold the quality of our customer service and prevent the recurrence of similar issue. No complaints were received during the Year.

Ensuring Smooth Project Delivery

Regular meetings with clients → Distribute project deliverables for reference → Reference drawing confirmation → Collect response at the end of project stage

To ensure a smooth project delivery, written reference drawing confirmation is requested from the clients before commencing the next stage of work, the confirmed project progress assures the intended outcome of the project meets the expectation. Questionnaires are distributed to clients to collect comments and feedback during and at the end of the design projects. Improvements will be made based on the comments and feedback from clients, the collected responses will also be considered in future designs.

Protecting Customer Privacy

Confidentiality in business fosters confidence and trust between our clients and employees, as safeguarding privacy forms the foundation of strong and reliable relationships. To emphasise the importance of confidentiality, the Company enforces strict policies and code of conduct to ensure that expectations and terms are clearly communicated to all employees. Additionally, all employees are required to sign a nondisclosure agreement upon confirmation of their employment to ensure the proper protection of confidential information. Unauthorised access to such information is strictly prohibited.

Regardless of the circumstances of termination or voluntary turnover, employees are strictly prohibited from divulging any of our confidential information to any other person, firm, corporation, media, or association during or after their employment with potential, actual, or past clients. Failure to comply with the above-mentioned obligation may be considered as serious misconduct by us, and the employee may be terminated immediately with follow-up actions. Moreover, we consider and pay much attention to protecting our clients' privacy. Thus, we have set up a policy regarding Preventive Measures for Information Leakage in order to ensure comprehensive protection of privacy and security of information. Besides the above-mentioned measures, we have also put emphasis on IT-related measures such as computer login measures, information access authority, limiting usage of external devices for storage of information, and use of file transfer software, etc. We believe the above measures can help avoid the potential leakage of sensitive clients' information and our confidential information.

Intellectual Property Rights

We understand the importance of protecting intellectual property rights and reiterate the corresponding guidelines in the policies stated in our code of conduct. In order to protect our own intellectual property rights and trademarks, regular inspections and observations are in place to monitor any infringements by other parties.

INTEGRITY RESPONSIBILITY – ETHICAL BUSINESS CONDUCT

Ethical business conduct and employees' integrity are always of utmost importance to our business. Upholding a high level of business ethics is a requirement for all our employees, in which employees are expected to conduct job duties with full commitment toward compliance, integrity, and good faith. At the same time, we are equally committed to ethical practices that maintain fairness trust, and openness within our operations.

Employees' Integrity Management

To uphold business integrity and a healthy corporate culture within the Group, all forms of bribery and corruption are strictly prohibited. A code of conduct has been developed to serve as a guideline for Directors and employees to act with the highest level of integrity, commitment, and professionalism. These codes and policies provide guidance to employee behavioural norms and facilitate our integrity culture. Without the permission of our senior management, our employees shall not solicit or accept any benefits or advantages, including monetary and non-monetary gifts, loans, fees, rewards, employment, contract, service, favour, etc., related to their work. In addition, under no circumstances shall a Director or employee offer an advantage to any person or company to influence any business dealings of that person or company.

Conduct Anti-corruption Training

We offer self-training on anti-corruption topics to our employees from time to time to freshen their understanding towards the latest regulations for maintaining integrity and a healthy corporate culture within the Group.

Reporting Mechanism

Whistle-blowing mechanism is in place, in which employees are welcome and encouraged to report any suspected cases of bribery or corruption through the system. Upon receiving any reported cases, the management will immediately investigate the matter and take further follow-up actions if necessary. In accordance with the established code of conduct, employees are strictly prohibited from engaging in any illegal activities including, but not limited to, extortion, fraud, and money laundering in addition to bribery and corruption. Identified cases will be followed up with applicable legal actions. As integrity and professionalism are our core values, it is important for employees to uphold the abovementioned principles. During the Year, there were 0 concluded legal cases regarding corrupt practices brought against the Group or our employees.

GIVING BACK TO THE COMMUNITY

Community Investment

As a socially responsible corporation, we embark on making positive contributions to the industry and the community. We seek to facilitate community participation alongside our employees as much as possible, with the aim to benefit society within and even beyond the confines of our business. In this regard, we engage in various charitable activities and encourage employees to participate in community services. To further encourage the involvement of employees in charity donations to the needy, a One-to-One Charitable Donation Programme is designed to encourage and support employees making donations for giving back to the community, where we will make a one-to-one scale donation to the designated registered charities after employees have made the corresponding donation.

One-to-One Charitable Donation Programme

One-to-One Charitable Donation by the Group

Employees' Charitable Donation

Maximising Charitable Impacts to the Society

Although the Group did not make donation during the Year, the Group is planned to provide sponsorships or scholarships to the design related institute in the coming future. While immediate financial aid can alleviate the pressing needs of financial hardships, we hope to support talented students to blossom and thrive in their learning journey, such that they can persevere in their endeavours and continue developing the necessary skills and expertise for them to give back to the industry as an interior designer one day.

On the other hand, we also participated in a number of interior design-related activities to facilitate the exchange of industry experiences and expertise, as well as to encourage young talents to join the industry.

During the Year, we have partaken in various volunteering works for a total of 140 hours involving the participation of 36 employees.

Moving on, we will continue to expand its participation in different community activities to create a positive impact on society and help advance the development of the industry.

Our Volunteering Service

140
service hours

36
employee volunteers

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

REGULATORY COMPLIANCE

We place high value on regulatory compliance, major ESG-related national and local laws and regulations we are complying include but not limited to:

- Waste Disposal Ordinance (Cap. 354 of the laws of Hong Kong)
- Environmental Impact Assessment Ordinance (Cap. 499 of the laws of Hong Kong)
- Environmental Protection Law of the PRC《中華人民共和國環境保護法》
- Employment Ordinance (Cap. 57 of the laws of Hong Kong)
- Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the laws of Hong Kong)
- Labour Contract Law of the PRC《中華人民共和國勞動合同法》
- Social Insurance Law of the PRC《中華人民共和國社會保險法》
- Occupational Safety and Health Ordinance (Cap. 509 of the laws of Hong Kong)
- Law of Prevention and Control of Occupational Diseases of the PRC《中華人民共和國職業病防治法》
- Copyright Law of the PRC《中華人民共和國商標法》
- Product Quality Law of the PRC《中華人民共和國產品質量法》
- Protection of Consumer Rights and Interests Law of the PRC《中華人民共和國消費者權益保護法》
- Company Law of the PRC《中華人民共和國公司法》
- Personal Data (Privacy) Ordinance (Cap. 486 of the laws of Hong Kong)
- Prevention of Bribery Ordinance (Cap. 201 of the laws of Hong Kong)
- Anti-Money Laundering Law of the PRC《中華人民共和國反洗錢法》

We were not aware of any non-compliance with any ESG-related laws and regulations during the Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

ENVIRONMENTAL DATA SUMMARY

	2024	2023
EMISSIONS INDICATORS		
Air Emissions	**6.85 kg**	13.27 kg*
Total air emissions	**0.02 kg**	0.03 kg*
Air emission intensity		
NOx emission	**6.19 kg**	12.12 kg*
SOx emission	**0.20 kg**	0.26 kg*
PM emission	**0.46 kg**	0.89 kg*
Greenhouse Gas Emissions		
Total greenhouse gas emissions	**909.46 tonnes**	857.60 tonnes*
Greenhouse gas emission intensity	**2.30 tonnes per average number of employee**	2.08 tonnes per average number of employee*
Scope 1 Direct emissions from vehicle usage and use of refrigerant	**36.24 tonnes**	46.80 tonnes
Scope 2 Emissions from Electricity Consumption	**601.96 tonnes**	583.63 tonnes
Scope 3 Emissions from Disposal of Paper Waste	**18.95 tonnes**	19.30 tonnes*
Scope 3 Emissions from Water and Sewage Processing	**1.91 tonnes**	1.84 tonnes*
Scope 3 Emissions from Business Travel by Employees	**250.40 tonnes**	206.03 tonnes
Non-hazardous Waste		
Total non-hazardous waste produced	**3.86 tonnes**	4.02 tonnes*
Non-hazardous waste produced intensity	**0.010 tonnes per average number of employee**	0.010 tonnes per average number of employee
Hong Kong	**1.30 tonnes**	1.23 tonnes
Guangzhou	**1.56 tonnes**	1.62 tonnes
Shanghai	**0.57 tonnes**	0.77 tonnes
Beijing	**0.43 tonnes**	0.38 tonnes
Shenzhen	**–**	0.02 tonnes*

* Restated Data

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

ENVIRONMENTAL DATA SUMMARY (CONTINUED)

	2024	2023
USE OF RESOURCES INDICATORS		
Energy consumption		
Total energy consumption	**1,508,465.82 kWh**	1,324,799.87 kWh
Energy consumption intensity	**3,809.26 kWh per average number of employee**	3,207.75 kWh per average number of employee*
Fuel consumption	**13,625.88 L/ 132,053.39 kWh**	17,593.91 L/ 170,509.00 kWh
Fuel consumption intensity	**333.47 kWh per average number of employee**	412.85 kWh per average number of employee*
Electricity consumption		
Total electricity consumption	**1,376,412.43 kWh**	1,154,290.87 kWh
Electricity consumption intensity	**3,475.79 kWh per average number of employee**	2,794.89 kWh per average number of employee*
Water consumption		
Total water consumption	**2,958.23 m^3**	2,847.39 m^3*
Water consumption intensity	**7.47 m^3 per average number of employee**	6.89 m^3 per average number of employee*

* Restated Data

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

SOCIAL DATA SUMMARY

	2024	2023
EMPLOYMENT INDICATORS		
Employment		
Number of employees	**401**	400*
By Employment Type (%)		
Full-time	**99.8%**	100%
Part-time	**0.2%**	0%
By Gender		
Male	**47%**	47%
Female	**53%**	53%
By Age Group		
18-25	**5%**	6%*
26-35	**47%**	48%
36-45	**38%**	37%
46-55	**8%**	7%
Above 56	**2%**	2%
By Geographic Region		
Hong Kong	**25%**	24%
Guangzhou	**29%**	27%
Shanghai	**18%**	19%
Beijing	**27%**	29%
Shenzhen	**1%**	1%*
By Years of Service		
Under 1 year	**20%**	19%
1 – 3 years	**18%**	26%
3 – 5 years	**19%**	15%
5 – 10 years	**26%**	26%
Above 10 years	**17%**	14%

	2024	2023
Employment turnover		
Overall turnover rate (monthly average)	**2%**	3%
By Gender		
Male	**3%**	3%
Female	**2%**	3%
By Geographic Region		
Hong Kong	**2%**	3%
Guangzhou	**1%**	1%
Shanghai	**4%**	4%
Beijing	**3%**	4%
Shenzhen	**0%**	3%*
By Age Group		
18 – 25	**5%**	6%
26 – 35	**3%**	4%
36 – 45	**1%**	2%
46 – 55	**1%**	3%
Above 56	**1%**	1%
HEALTH AND SAFETY INDICATORS		
Number of reported injuries	**Nil**	Nil
Number of lost days	**Nil**	Nil
Number of fatalities	**Nil**	Nil
TRAINING AND DEVELOPMENT INDICATOR		
Number of internal training sessions	**6**	7
Number of attendants	**424**	528*
Percentage of Trained Employees		
Overall training proportion	**71%**	48%
By Gender		
Male	**53%**	42%
Female	**47%**	58%
By Employee Category		
Frontline staff	**61%**	48%
Middle management	**36%**	46%
Senior management	**3%**	6%

* Restated Data

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

SOCIAL DATA SUMMARY (CONTINUED)

	2024	2023
Average training hours		
Average training hours per employee	**3.78**	0.51
By Gender		
Male	**4.03**	0.50
Female	**3.55**	0.51*
By Employment Category		
Frontline staff	**4.11**	0.47
Middle management	**3.93**	0.57
Senior management	**1.13**	0.40
SUPPLY CHAIN MANAGEMENT INDICATORS		
Total number of suppliers	**320**	298
By Geographical Region		
Hong Kong	**46**	28
The PRC	**251**	253
Other regions	**23**	17
PRODUCT RESPONSIBILITY INDICATORS		
Total number of products subjected to recalls for health and safety reasons	**Nil**	Nil
Total number of complaints received	**Nil**	Nil
Total number of legal dispute case	**2**	Nil
ANTI-CORRUPTION INDICATORS		
Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of cases	**Nil**	Nil
COMMUNITY INVESTMENT INDICATORS		
Sponsorship	**–**	HK$160,000
Total number of hours for employee volunteering work	**140**	79
Total number of employee volunteers	**36**	27

* Restated data

ESG REPORTING GUIDE AND REFERENCE

A. Environmental		Page(s)
A1. Emissions		
Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		
KPI A1.1	The types of emissions and respective emission data.	64 - 65
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emission in total (in tonnes) and where appropriate, intensity (e.g per unit of production volume, per facility).	65 - 67
KPI A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g per unit of production volume, per facility).	not involve
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g per unit of production volume, per facility).	68 - 69
KPI A1.5	Description of emission target(s) set, and steps taken to achieve them.	70 - 71
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	68 - 71
A2. Use of Resources		
Policies on the efficient use of resources, including energy, water and other raw materials.		
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	71 - 72
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	73 - 74
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	73 - 74
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) and steps taken to achieve them.	73 - 74
KPI KA2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	not involve
A3. The Environment and Natural Resources		
Policies on minimizing the issuer's significant impact on the environment and natural resources.		
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	75 - 76
A4. Climate Change		
Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	76 - 77

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

B. Social		Page(s)
B1. Employment		
Policies and compliance with laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	78 - 79
KPI B1.2	Employment turnover rate by gender, age group and geographical region.	82
B2. Health and Safety		
Policies and compliance with laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards.		
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	83
KPI B2.2	Lost days due to work injury.	83
KPI B2.3	Description of occupational health and safety measures adopted how they are implemented and monitored.	82 - 83
B3. Development and training		
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management, etc.).	84
KPI B3.2	The average training hours completed per employee by gender and employee category.	84
B4. Labour standards		
Policies and compliance with laws and regulations relating to preventing child and forced labour.		
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	85
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	85
B5. Supply chain management		
Policies on managing environmental and social risks of the supply chain.		
KPI B5.1	Number of suppliers by geographical region.	86
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	85 - 87
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	85 - 87
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	85 - 87

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

B. Social		Page(s)
B6. Product responsibility		
Policies and compliance with laws and regulations relating to health and safety. Advertising, labeling and privacy matters relating to products and services provided and method of redress.		
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	not involve
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	88
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	89
KPI B6.4	Description of quality assurance process and recall procedures.	87 - 88
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	89
B7. Anti-corruption		
Policies and compliance with laws and regulations relating to bribery, extortion, fraud and money laundering.		
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	90
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	90
KPI B7.3	Description of anti-corruption training provided to directors and staff.	90
B8. Community investment		
Policies on community engagement to understand the needs of the communities where we operate and to ensure that our activities take into consideration the communities' interests.		
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	91
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	91

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The principal activities of its subsidiaries are set out in note 39 to the consolidated financial statements of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 126 of this annual report.

No interim dividend had been declared to the Shareholders during the Year and the Board does not recommend the payment of final dividend for the Year.

BUSINESS REVIEW

The review of the business of the Group for the Year and the discussion on the Group's future business development are set out in the "Management Discussion and Analysis" section of this report. In addition, discussions on the Group's relationships with key stakeholders, environmental policies and performance and compliance with relevant laws and regulations which have a significant impact on the Group are as follows.

RELATIONSHIP WITH KEY STAKEHOLDERS

The Group's success also depends on support from key stakeholders which comprise employees, clients, consultants, subcontractors and vendors.

Employees

Employees are regarded as the most important and valuable assets of the Group. The objective of the Group's human resources management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate trainings and by providing opportunities within the Group for career advancement.

Clients

The Group's major clients are property developers, main-contractors, hotel/restaurant owners and private individuals in Hong Kong and the PRC. The Group provides professional and quality services in interior design, interior decorating and furnishing and/or product design whilst maintaining long-term profitability, business and growth on assets.

Consultants, Subcontractors and Vendors

The Group believes that its subcontractors and vendors also form an important part in business which enhance the Group's bargaining power on specialised design, and they are important to overall cost control in the interior decorating and furnishing services to increase competitiveness. The Group communicates with its consultants, subcontractors and vendors proactively to ensure they are committed to delivering high-quality service, and sustainable products and services to the Group. The Group will select consultants, subcontractors and vendors from its approved lists unless otherwise specified by clients. In addition, during the continuance of the contracts with the consultants, subcontractors and vendors, the Group will provide guidelines on client requirements and request them to follow. The Group effectively implements the subcontractor assessment process and monitors the performance of its subcontractors through regular review on work, client feedback, factory visit, evaluation on contract performance and other measures.

ENVIRONMENTAL POLICIES AND PERFORMANCE

It is the Group's corporate and social responsibility in promoting sustainability and environmental protection. The Group adheres the 3Rs principle, namely reduce, reuse and recycle. It implements a series of green office practices, including but not limited to the reduction of energy consumption by switching off idle lightings and electrical appliances, reduction of usage of papers by double-sided printing and the reusing of single-side-printed papers, adoption of electronic approval system, recycling of used toners and waste papers, and the setting up of recycling bins.

Apart from the adoption of abovementioned environmental-friendly practices, the Group continuously promotes the importance of environmental protection to its employees by integrating environmental sustainability into its design, providing green food and delivering environmental related topics through the display screen in the office area. The Group is committed to becoming a resource-saving and environment-friendly enterprise to promote environmental protection. Details of the Group's environmental policies and performance are set out in the "Environmental, Social and Governance Report" section of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group mainly provides services and trading business in Hong Kong and the PRC. The Directors confirmed that, during the Year and up to this annual report date, the Group had obtained all the registrations and certifications required for its business and operations and had complied with the applicable laws and regulations in Hong Kong and the PRC in all material and relevant aspects.

PRINCIPAL RISKS AND UNCERTAINTIES

The description of principal risks and uncertainties the Group facing and key financial performance indicators are set out in the "Management Discussion and Analysis" section of this annual report. The financial risk management objectives and policies of the Group are set out in note 35 to the consolidated financial statements. The Group is exposed to the operational risk in relation to the business of the Group. With the growth and expansion of operations, the potential risks to the Group's business increase as well. In order to identify, assess and control the risks that may create impediments to the Group's success, the Board has established the Risk Management Committee that covers each material aspect of the Group's operations, including market risk, finance risk, policy risk, legal risk, contract risk, credit risk, operational risk, security and compliance, etc. As the Group's risk management is a systematic project, each of the Group's departments is responsible for identifying and evaluating the risks relating to its area of operations. The Risk Management Committee is responsible for overseeing, assessing and reviewing the Group's risk management policy and supervising the performance on the Group's risk management.

DIRECTORS' REPORT (CONTINUED)

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the Year and past four financial years are set out on page 204 of this annual report.

SHARE CAPITAL

Details of movements in share capital of the Company during the Year are set out in note 30 to the consolidated financial statements of this annual report.

RESERVES

Movements in the reserves of the Group during the Year ended 31 December 2024 are set out in the consolidated statement of changes in equity on pages 129 to 130 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act of the Cayman Islands and the Company's articles of association, amounted to approximately HK$258.9 million (Previous Year: approximately HK$260.8 million).

DIRECTORS

The Directors during the Year and up to the date of this report were:

Executive Directors
Mr. Leung Chi Tien Steve, BBS
Mr. Siu Man Hei *(Chief Executive Officer)*
Mr. Yip Kwok Hung Kevin *(Chief Financial Officer)*
Mr. Ding Chunya (resigned with effect from 12 February 2025)

Non-Executive Directors
Mr. Xu Xingli *(Chairman)*
Mr. Ding Jingyong
Mr. Wong Man Hei (appointed with effect from 12 February 2025)

Independent Non-Executive Directors
Mr. Liu Yi
Mr. Tsang Ho Ka Eugene
Ms. Wang Wanjun (appointed with effect from 5 July 2024)
Mr. Sun Yansheng (resigned with effect from 5 July 2024)

Mr. Leung Chi Tien Steve, BBS, Mr. Ding Jingyong and Mr. Liu Yi, shall retire, and being eligible, offer themselves for re-election at the forthcoming AGM pursuant to article 84(1) of the articles of association of the Company. Ms. Wang Wanjun and Mr. Wong Man Hei will hold office until the forthcoming AGM and will offer herself/himself for re-election pursuant to article 83(3) of the articles of association of the Company.

Information regarding Directors' emoluments is set out in note 12 to the consolidated financial statements of this annual report.

DIRECTORS' PROFILES

Details of the Directors' profile are set out in the section captioned "Profiles of Directors and Senior Management" of this annual report.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the existing INEDs a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and has duly reviewed the confirmation of independence of each of these INEDs. The Company considers that all of the INEDs are independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company, each of the NEDs and INEDs has signed appointment letter with the Company. The appointment of each of the Directors is for a term of three years which may be terminated by either party by giving a written notice at least three months in advance.

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2024, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures 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 they were taken or deemed to have taken under such provisions of the SFO); or (b) to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix C3 to the Listing Rules, are set out as follows:

DIRECTORS' REPORT (CONTINUED)

LONG POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

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

Notes:

1. On the basis of 1,141,401,000 shares in issue as at 31 December 2024.

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

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

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

As at 31 December 2024, as far as known to the Directors and chief executives of the Company, Shareholders (other than Directors and chief executives of the Company) who has an interest or a short position in the shares which would be required to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO, or would be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following substantial Shareholders (other than the Directors and chief executives of the Company), were as follows:

Name of Shareholders	Long/Short position	Capacity/ Nature of interest	Number of shares	Approximate percentage of shareholding in issued shares(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%

DIRECTORS' REPORT (CONTINUED)

Notes:

1. On the basis of 1,141,401,000 shares in issue as at 31 December 2024.

2. 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.

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

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

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

6. Jangho Co. is beneficially owned as to approximately 27.86% 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 25.53% 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. Leung Chi Tien Steve, BBS and is therefore deemed to be interested in the shares that Mr. Leung Chi Tien Steve, BBS 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, the Directors and chief executives of the Company are not aware of any Shareholders (other than the Directors and chief executives of the Company) who, as at the date of this report, has an interest or a short position in the shares which will be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or would be, directly or indirectly, interested in 5% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

PRE-IPO SHARE OPTION SCHEME

On 11 June 2018, the Company conditionally adopted a pre-IPO share option scheme (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 ordinary share under the Pre-IPO Share Option Scheme shall be an amount equal to 50% discount to the mid-point of the offer price of the initial public offering of the Company in 2018, i.e. HK44 cents.

DIRECTORS' REPORT (CONTINUED)

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 share options under the Pre-IPO Share Option Scheme 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 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).

The share options granted under the Pre-IPO Share Option Scheme 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 movements under the Pre-IPO Share Option Scheme during the Year.

Category of grantees	Date of Grant	As at 1 January 2024	Exercised during the Year	Lapsed during the Year	As at 31 December 2024
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	–
		28,694,400	–	28,694,400	–

Note: For further details, please refer to note 37 to the consolidated financial statements of this annual report.

All share options granted under the Pre-IPO Share Option Scheme were fully lapsed on 1 July 2024. No other options were outstanding, granted, exercised, forfeited, cancelled or lapsed under the Pre-IPO Share Option Scheme during the Year.

SHARE OPTION SCHEME

On 11 June 2018, The Company adopted a share option scheme (the "**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 to subscribe for such number of ordinary shares to any Eligible Person as the Board may in its absolute discretion select. The basis of eligibility shall be determined by the Board from time to time.

Persons satisfying any of the following (the "**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;

(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 INED) 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 for the time. Any further grant of share 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 INEDs (excluding INEDs who or whose associates is the grantee of an options). Where any grant of options to a substantial Shareholder or an INED, 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 as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK$5.0 million, such further grant of the options shall be subject to prior approval of the shareholders with such person and his associates abstaining from voting in favour of general meeting.

An offer for the grant of option must be accepted within 28 days from the offer date. Share 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 share 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, with a remaining life of approximately 3 years. No share options were granted, exercised, cancelled or lapsed under the Share Option Scheme during the Year. No share options were outstanding under the Share Option Scheme as at the beginning or end of the Year.

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' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. None of the Directors, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right during the Year.

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

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

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Scheme", no equity-linked agreements were entered by the Group or existed during the Year.

CONNECTED TRANSACTIONS

The Group has conducted the following transactions with the connected persons of the Company. All of such transactions constituted continuing connected transactions or connected transactions under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

On 9 April 2024, 梁志天室內設計(北京)有限公司("**SLD (Beijing)**"), an indirect wholly-owned subsidiary of the Company, entered into an interior design consultancy agreement (the "**Interior Design Consultancy Agreement**") with Jangho Co, pursuant to which SLD (Beijing) agreed to provide interior design services to Jangho Co at a consideration of approximately RMB1,620,000 (excluding VAT). During the Year, the aggregate transaction amounts under the Interior Design Consultancy Agreement were approximately RMB1,436,000 (equivalent to approximately HK$1,558,000).

On 21 June 2024, the Company entered into a framework agreement (the "**Framework Agreement**") with Jangho Co, pursuant to which the Company agreed to provide or procure any of its subsidiaries to provide interior design services and interior decorating and furnishing services to Jangho Co and/or its subsidiaries for a term up to 31 December 2024.

The proposed annual cap for the transactions contemplated under the Framework Agreement from the date of signing of the Framework Agreement to 31 December 2024 is RMB7,500,000 (excluding VAT) (equivalent to approximately HK$8,140,000). During the Year, the aggregate transaction amounts under the Framework Agreement were approximately RMB2,701,000 (equivalent to approximately HK$2,930,000).

As both the Interior Design Consultancy Agreement and the Framework Agreement were entered into with Jangho Co in relation to the provision of, among others, interior design services, the transactions contemplated under the Interior Design Consultancy Agreement and the Framework Agreement shall be aggregated and treated as if one transaction pursuant to Rule 14A.81 of the Listing Rules.

Jangho Co was indirectly interested in approximately 52.44% shareholding of the Company. It is a controlling shareholder of the Company and thus a connected person of the Company under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the Interior Design Consultancy Agreement and the Framework Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules. As all the percentage ratio (other than the profits ratio) in respect of the Aggregated Cap are less than 25% and the Aggregated Cap is less than HK$10,000,000, the transactions contemplated under the Interior Design Consultancy Agreement and the Framework Agreement will be subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Since the highest applicable percentage ratio in respect of the Aggregated Cap exceeds 5% but is less than 25%, the transactions contemplated under the Interior Design Consultancy Agreement and the Framework Agreement constitute discloseable transactions of the Company which will be subject to the notification, announcement and reporting requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

CONFIRMATION FROM THE DIRECTORS AND AUDITORS

Pursuant to Rule 14A.55 of the Listing Rules, the INEDs have reviewed the continuing connected transactions and have confirmed that the above continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the relevant agreements governing them on terms that are fair and reasonable and are in the interests of the Shareholders as a whole.

BDO Limited, the independent auditor of the Company, has issued a letter to the Board under Rule 14A.56 of the Listing Rules, confirming that nothing has come to their attention that causes them to believe the continuing connected transactions disclosed in this report: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iv) have exceeded the relevant annual caps.

The Board confirmed that the Company has complied with the requirements of the Listing Rules in relation to the disclosure of the aforesaid continuing connected transactions.

All of the related party transactions as disclosed in note 33 to the consolidated financial statements of this annual report constitute connected transactions or continuing connected transactions under the Listing Rules. However, save for the aforesaid continuing connected transactions, the other related party transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "CONTINUING CONNECTED TRANSACTIONS" above and in note 33 to the consolidated financial statements of this annual report, no other transactions, arrangements and contracts of significance, to which the Company or any of its subsidiaries was a party and in which a Director or a connected entity of a Director had a material interest whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

CONTRACTS OF SIGNIFICANCE BETWEEN THE GROUP AND THE CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE SUBSIDIARIES

For particulars of the contracts of significance between the Group and the controlling shareholders or their respective subsidiaries or the contracts of significance for the provision of services to the Group by the controlling Shareholders or their respective subsidiaries, please see "CONTINUING CONNECTED TRANSACTIONS" above and note 33 to the consolidated financial statements of this annual report.

MANAGEMENT CONTRACTS

Save for service contracts with the Directors, no contract by which a person undertakes the management and administration of the whole or any substantial part of the Company's business was entered or subsisted during the Year.

COMPETING BUSINESS

During the Year, none of the Directors or the controlling Shareholders of the Company and their respective associates had any interest in a business, apart from the business of the Group, which competes or is likely to compete, whether directly or indirectly, with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10(2) of the Listing Rules.

NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between the Group and each of the controlling Shareholders, each of the controlling Shareholders as covenantors executed a deed of non-competition dated 11 June 2018 (the "**Deed of Non-Competition**") in favour of the Company (for itself and as trustee for its subsidiaries), pursuant to which, each of the covenantors confirms, inter alia, that other than its/his/her interests in the Company, none of them is engaged in any business which, directly or indirectly, competes or may compete with the business of the Group, or has any interests in such business. Each of the covenantors also gave certain non-competition undertakings under the Deed of Non-Competition as set out in the paragraph headed "Relationship with Controlling Shareholders-Deed of Non-Competition" in the prospectus of the Company dated 22 June 2018. Each of the controlling shareholders had confirmed to the Company of their compliance with the Deed of Non-Competition provided to the Company during the Year. The Board (including the INEDs) has reviewed and confirmed that each of the controlling Shareholders had complied with the Deed of Non-Competition.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND PERMITTED INDEMNITY PROVISIONS

Pursuant to the articles of association, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty, in their respective offices or trusts.

The Company has arranged for appropriate insurance covering the liabilities in respect of legal action against the Directors and officers of the Company that may arise out of its corporate activities. The insurance coverage is reviewed on an annual basis and no claim was made against the Directors and officers of the Company during the Year and up to this annual report date.

EMOLUMENT POLICY

The emolument policy of the employees of the Group was set up by the Remuneration Committee. The Group offers remuneration, discretionary bonus and share options will also be granted to eligible staff based on individual performance in recognition of their contribution and hard work. The Group also provides training programmes which are complementary to certain job functions. The emolument of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market trend.

RETIREMENT BENEFIT SCHEME

Details of the Group's retirement benefit schemes are set out in note 38 to the consolidated financial statements of this annual report.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or applicable laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

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

CHARITABLE DONATIONS

The Company did not make any donations for charity during the Year (Previous Year: HK$20,000).

MAJOR CLIENTS, SUBCONTRACTORS AND SUPPLIERS

For the Year, the aggregate revenue attributable to the five largest clients was less than 30% of the total revenue of the Group. The aggregate purchases attributable to the five largest suppliers of the Group during the Year was less than 30% of the total purchases of the Group.

Other than disclosed above, at no time during the Year did a Director, a close associate of a Director or a Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest clients or suppliers.

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

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

CORPORATE GOVERNANCE

The Company has complied with the code provisions and certain recommended best practices set out in the CG Code. Details of the corporate governance report are set out on pages 36 to 53 of this annual report.

DIRECTORS' REPORT (CONTINUED)

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this annual report, there were no significant events subsequent to 31 December 2024 and up to the date of this annual report which may materially affect the Group's operating and financial performance.

AUDITOR

The Group's consolidated financial statements and the related notes thereto for the Year as set out in this annual report have been audited by BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. A resolution to re-appoint BDO Limited as our external auditor will be submitted for Shareholders' approval at forthcoming AGM.

On behalf of the Board
Steve Leung Design Group Limited
XU Xingli
Chairman

Hong Kong, 19 March 2025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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF STEVE LEUNG DESIGN GROUP LIMITED梁志天設計集團有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Steve Leung Design Group Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 126 to 203, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition on service contracts from interior design services, interior decorating and furnishing design services and product design services

We identified the revenue recognition on service contracts from interior design services, interior decorating and furnishing design services and product design services as a key audit matter due to the significant judgments exercised by the management in determining the total contract costs and contract costs incurred for work performed to date.

As set out in note 4 to the consolidated financial statements, the Group recognises service revenue by reference to the progress towards complete satisfaction of the relevant performance obligation using input method, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Accordingly, revenue recognition on service contracts involves a significant degree of management estimates and judgment, with estimates being made to assess the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs and stage of completion of the contract. The details of the accounting policies and estimation uncertainty in relation to revenue recognition on service contracts from interior design services, interior decorating and furnishing design services and product design services are set out in notes 3 and 4 to the consolidated financial statements.

As disclosed in note 5 to the consolidated financial statements, the service revenue amounted to HK$269,225,000 for the year ended 31 December 2024.

Our response:

Our procedures in relation to revenue recognition on service contracts from interior design services, interior decorating and furnishing design services and product design services included:

- Understanding the management's process relating to the estimation of total contract costs and recording of costs;
- Obtaining an understanding from the Group's project team including project managers, about the contract terms, performance and status of selected contracts to evaluate the reasonableness of the basis of estimation of the total contract costs, and contract costs incurred for work performed to date; and
- Comparing the staff costs incurred on selected contracts extracted from the timesheet recording system to the estimated total contract costs to evaluate the reasonableness of percentage of completion of individual contracts.

KEY AUDIT MATTERS (CONTINUED)

Estimated provision of expected credit losses ("ECL") for trade receivables and contract assets

We identified the estimated provision of ECL for trade receivables and contract assets as a key audit matter due to their significance to the consolidated financial statements as a whole and the use of judgment and estimates by the management in determining the allowance for credit losses and write-offs.

As shown in notes 22 and 24 to the consolidated financial statements, as at 31 December 2024, the carrying amounts of trade receivables and contract assets are HK$138,730,000 (net of allowance for credit losses of HK$87,608,000) and HK$90,323,000 (net of allowance for credit losses of HK$43,167,000), respectively.

As disclosed in note 4 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables and contract assets individually for certain debtors with significant balances and/or collectively through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors based on ageing, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is reasonable and supportable available without undue costs or effort. In addition, trade receivables and contract assets that are credit-impaired are assessed for ECL individually. The loss allowance amount of the credit-impaired trade receivables and contract assets is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

As disclosed in note 35 to the consolidated financial statements, a total net impairment losses of HK$6,446,000 in respect of the trade receivables and contract assets was recognised in profit or loss by the Group for the year ended 31 December 2024.

Our response:

Our procedures in relation to the estimated provision of ECL for trade receivables and contract assets included:

- Obtaining an understanding of key process on how the management estimates the ECL of trade receivables and contract assets including the individual assessment on significant balances and the credit-impaired trade receivables and contract assets;

- Testing the integrity of information used by management to develop the internal credit rating, including trade receivables and contract assets ageing analysis as at 31 December 2024, on a sample basis, by comparing individual items in the analysis with the relevant invoices/progress certificates and/or other supporting documents;

- Challenging management's basis and judgment in determining credit loss allowance on trade receivables and contract assets as at 31 December 2024, including their identification of credit-impaired trade receivables and contract assets, the reasonableness of management's grouping of the remaining trade debtors into different categories, and the basis of estimated loss rates applied in each category (with reference to historical default rates and forward-looking information); and

- Involving our internal valuation specialist to evaluate the appropriateness of the valuation methodology adopted by the management of the Group and the reasonableness of assumptions, including loss rates and forward-looking information applied by the management of the Group.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting progress. The audit committee ("**Audit Committee**") assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

LAU, Kin Tat, Terry
Practising Certificate no: P07676

Hong Kong, 19 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	NOTES	**2024** **HK$'000**	2023 HK$'000
Revenue	5	**367,695**	355,803
Cost of sales		**(220,871)**	(216,534)
Gross profit		**146,824**	139,269
Other gains and losses	7	**(4,080)**	(821)
Impairment losses on trade receivables and contract assets under expected credit loss model		**(6,446)**	(24,724)
Other income	8	**2,775**	1,493
Selling expenses		**(19,431)**	(20,833)
Administrative expenses		**(105,787)**	(107,238)
Finance costs	9	**(3,574)**	(4,431)
Profit (loss) before taxation		**10,281**	(17,285)
Income tax expense	10	**(9,075)**	(2,690)
Profit (loss) for the year	11	**1,206**	(19,975)
Other comprehensive expense that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(3,205)**	(3,172)
Total comprehensive expense for the year		**(1,999)**	(23,147)
Profit (loss) for the year attributable to:			
– Owners of the Company		**1,805**	(18,841)
– Non-controlling interests		**(599)**	(1,134)
		1,206	(19,975)
Total comprehensive expense for the year attributable to:			
– Owners of the Company		**(1,265)**	(21,883)
– Non-controlling interests		**(734)**	(1,264)
		(1,999)	(23,147)
Earnings (loss) per share (expressed in Hong Kong cents)	15		
– Basic		**0.16**	(1.65)
– Diluted		**0.16**	(1.65)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	NOTES	2024 HK$'000	2023 HK$'000
Non-current Assets			
Property, plant and equipment	16	**15,509**	13,211
Right-of-use assets	17	**40,174**	43,685
Intangible assets	18	**1,251**	1,668
Goodwill	19	**1,166**	1,187
Deposits paid for acquisition of property, plant and equipment	23	**–**	3,269
Rental deposits	23	**5,377**	5,419
Deferred tax assets	20	**51,558**	52,393
		115,035	120,832
Current Assets			
Inventories	21	**26**	50
Trade receivables	22	**138,730**	136,106
Other receivables, deposits and prepayments	23	**9,390**	9,136
Contract assets	24	**90,323**	80,171
Tax recoverable		**247**	734
Pledged bank deposits	25	**–**	211
Restricted bank balances	25	**2,720**	1,723
Bank balances and cash	25	**140,883**	148,892
		382,319	377,023
Current Liabilities			
Trade payables	26	**50,625**	43,914
Other payables and accrued charges	26	**20,242**	20,684
Bank borrowings	27	**20,000**	30,000
Lease liabilities	28	**17,506**	20,232
Contract liabilities	29	**19,384**	15,103
Tax liabilities		**21,510**	20,516
		149,267	150,449
Net Current Assets		**233,052**	226,574
Total Assets less Current Liabilities		**348,087**	347,406

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2024

	NOTES	**2024** HK$'000	2023 HK$'000
Capital and Reserves			
Share capital	30	**11,414**	11,414
Reserves		**291,859**	293,124
Equity attributable to owners of the Company		**303,273**	304,538
Non-controlling interests		**10,786**	11,520
Total Equity		**314,059**	316,058
Non-current Liabilities			
Deferred tax liabilities	20	**9,839**	6,314
Lease liabilities	28	**24,189**	25,034
		34,028	31,348
		348,087	347,406

The consolidated financial statements on pages 126 to 203 were approved and authorised for issue by the Board of Directors on 19 March 2025 and are signed on its behalf by:

SIU MAN HEI
DIRECTOR

YIP KWOK HUNG KEVIN
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Equity 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**	**Sub-total**	**Non-controlling interests**	**Total**
	HK$'000	HK$'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	11,414	258,224	(112,360)	7,171	(16,835)	12,964	43,119	122,724	326,421	12,784	339,205
Loss for the year	–	–	–	–	–	–	–	(18,841)	(18,841)	(1,134)	(19,975)
Exchange difference arising on translation of foreign operations	–	–	–	–	(3,042)	–	–	–	(3,042)	(130)	(3,172)
Total comprehensive expense for the year	–	–	–	–	(3,042)	–	–	(18,841)	(21,883)	(1,264)	(23,147)
Transfer of reserves	–	–	–	574	–	–	–	(574)	–	–	–
At 31 December 2023	**11,414**	**258,224**	**(112,360)**	**7,745**	**(19,877)**	**12,964**	**43,119**	**103,309**	**304,538**	**11,520**	**316,058**
Profit (loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,805**	**1,805**	**(599)**	**1,206**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**(3,070)**	**–**	**–**	**–**	**(3,070)**	**(135)**	**(3,205)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**(3,070)**	**–**	**–**	**1,805**	**(1,265)**	**(734)**	**(1,999)**
Transfer of reserves	**–**	**–**	**–**	**598**	**–**	**–**	**–**	**(598)**	**–**	**–**	**–**
Forfeited share options	**–**	**–**	**–**	**–**	**–**	**(12,964)**	**–**	**12,964**	**–**	**–**	**–**
At 31 December 2024	**11,414**	**258,224**	**(112,360)**	**8,343**	**(22,947)**	**–**	**43,119**	**117,480**	**303,273**	**10,786**	**314,059**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 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 which are set out in notes 37 and 38, respectively.

(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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	2024 HK$'000	2023 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before taxation	**10,281**	(17,285)
Adjustments for:		
Amortisation of intangible assets	**394**	409
Depreciation of property, plant and equipment	**5,039**	5,037
Depreciation of right-of-use assets	**19,552**	20,597
(Gain) loss on disposals of property, plant and equipment	**(40)**	210
Loss on lease termination	**–**	404
Gain on lease modification	**–**	(13)
Finance costs	**3,574**	4,431
(Reversal of) impairment losses on trade receivables under expected credit loss model	**(2,846)**	6,714
Impairment losses on contract assets under expected credit loss model	**9,292**	18,010
Interest income	**(263)**	(351)
Provision for litigations	**2,242**	–
Operating cash flows before movements in working capital	**47,225**	38,163
Decrease (increase) in inventories	**24**	(8)
(Increase) decrease in trade receivables	**(1,164)**	27,586
(Increase) decrease in other receivables, deposits and prepayments	**(212)**	7,131
Increase in contract assets	**(20,689)**	(32,193)
Decrease (increase) pledged bank deposits	**211**	(211)
Increase in restricted bank deposits	**(997)**	(1,723)
Increase in trade payables	**6,711**	3,177
Decrease in other payables and accrued charges	**(2,684)**	(3,652)
Increase (decrease) in contract liabilities	**4,994**	(8,668)
Net cash generated from operations	**33,419**	29,602
Income tax paid	**(3,425)**	(7,878)
NET CASH FROM OPERATING ACTIVITIES	**29,994**	21,724

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2024

	2024	2023
	HK$'000	HK$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(2,556)**	(1,087)
Purchase of intangible assets	**(5)**	(78)
Interest received	**263**	351
Proceeds from disposal of property, plant and equipment	**186**	143
NET CASH USED IN INVESTING ACTIVITIES	**(2,112)**	(671)
FINANCING ACTIVITIES		
Repayments of bank borrowings	**(275,000)**	(170,000)
Repayment of lease liabilities	**(21,065)**	(19,988)
Interest paid for lease liabilities	**(1,634)**	(2,058)
Interest paid	**(1,940)**	(2,373)
New bank borrowings raised	**265,000**	170,000
NET CASH USED IN FINANCING ACTIVITIES	**(34,639)**	(24,419)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(6,757)**	(3,366)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**148,892**	153,338
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(1,252)**	(1,080)
CASH AND CASH EQUIVALENTS AT END OF YEAR, REPRESENTED BY BANK BALANCES AND CASH	**140,883**	148,892

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. GENERAL INFORMATION

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 ("**BVI**"), whereas the directors of the Company consider that the Company's ultimate holding company is Jangho Group Co., Ltd., a company incorporated in the PRC with its shares listed on the Shanghai Stock Exchange. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company and provides corporate management services. The principal activities of the Company's subsidiaries are set out in note 39.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS ("HKFRSs")

AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to Hong Kong Accounting Standard ("**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 year has no material impact on the Group's performance and financial positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS ("HKFRSs") (CONTINUED)

2.1 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 clarify that liabilities are classified as either 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 that an entity is required to comply with only after the reporting period).

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 on or before the reporting date, this needs to be considered in 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 the reporting date. The disclosures include:

- the carrying amount of the liability;
- information about the covenants (including the nature of the covenants and when the entity is required to comply with them); 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 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*. But its conclusions are not impacted by these amendments.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS ("HKFRSs") (CONTINUED)

2.2 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 material impact on the consolidated financial statements of the Group.

2.3 AMENDMENTS TO HKAS 7 AND HKFRS 7 SUPPLIER FINANCE ARRANGEMENTS

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

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 finance 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS ("HKFRSs") (CONTINUED)

2.3 AMENDMENTS TO HKAS 7 AND HKFRS 7 SUPPLIER FINANCE ARRANGEMENT (CONTINUED)

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.

The HKICPA has provided transitional relief by not requiring comparative information in the first year, and also not requiring disclosure of specified opening balances. Further, the required disclosures are only applicable for annual periods during the first year of application. Therefore, the earliest that the new disclosures will have to be provided is in annual financial reports for December 2024 year-ends, unless an entity has a financial year of less than 12 months.

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

NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 18	Presentation and Disclosure in Financial Statements[1]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[1]
Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability[2]
Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual Improvements to HKFRS Accounting Standards – Volume 11[3]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2027
2 Effective for annual periods beginning on or after 1 January 2025
3 Effective for annual periods beginning on or after 1 January 2026
4 Effective for annual periods beginning on or after a date to be determined.

Except mentioned below, the Directors anticipate that the application of all of the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which was issued by the HKICPA in July 2024 supersedes HKAS 1 and will result in major consequential amendments to HKFRSs including HKAS 8 *Basis of Preparation of Financial Statements* (renamed from Accounting *Policies, Changes in Accounting Estimates and Errors*). Even though HKFRS 18 will not have any effect on the recognition and measurement of items in the consolidated financial statements, it is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorisation and sub-totals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS ("HKFRSs") (CONTINUED)

GUIDANCE ON ACCOUNTING FOR THE MPF-LSP OFFSETTING MECHANISM IN HONG KONG ISSUED BY HKICPA

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**") was enacted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers' mandatory contributions under the mandatory provident fund ("**MPF**") scheme to offset severance payment ("**SP**") and long service payments ("**LSP**") (the "**Abolition**"). Subsequently, the Hong Kong government announced that the Abolition will take effect on 1 May 2025 (the "**Transition Date**").

The following key changes will take effect since the Transition Date:

– Accrued benefits derived from employers' mandatory MPF contributions cannot be used to offset the LSP/SP in respect of the employment period after the Transition Date.

– The pre-transition LSP/SP is calculated using the last month's salary immediately preceding the Transition Date, instead of using the last month's salary of employment termination date.

Due to the complexities of the accounting for the offsetting of accrued benefits derived from an employer's mandatory MPF contributions and its LSP obligation and the accounting for the offsetting mechanism could become material in light of the Abolition, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" (the "**Guidance**") in July 2023 to provide guidance to account for the offsetting mechanism and the Abolition. The HKICPA concluded that there are two acceptable accounting approaches for the offsetting mechanism, being:

– Approach 1: Account for the amount expected to be offset as a deemed employee contribution towards that employee's LSP benefits in terms of HKAS 19.93(a)

– Approach 2: Account for the employer MPF contributions and the offsetting mechanism as a funding mechanism for the LSP obligation

Since there is no specific guidance in HKAS 19 on the accounting of the interaction between the employer MPF contributions and entity's LSP obligation, the Group developed its own accounting policy on the offsetting mechanism in prior years. The Abolition has been considered and accounted for following the Group's accounting policy on the offsetting mechanism in the year ended 31 December 2023 with no material impact on the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Going Concern Assessment

The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

3.2 MATERIAL ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Basis of Consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue From Contracts With Customers

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

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

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

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

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

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

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

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue From Contracts With Customers (Continued)

Contracts With Multiple Performance Obligations (Including Allocation of Transaction Price)

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

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

Over Time Revenue Recognition: Measurement of Progress Towards Complete Satisfaction of a Performance Obligation

Input Method

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Lease

Definition of a Lease

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

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

The Group as a Lessee

Allocation of Consideration to Components of a Contract

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

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

Short-Term Leases and Leases of Low-Value Assets

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Lease (Continued)

***The Group as a Lessee* (Continued)**

Right-of-Use Assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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

Refundable Rental Deposits

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Lease (Continued)

***The Group as a Lessee* (Continued)**

Lease Liabilities

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

The lease payments include:

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Lease (Continued)

***The Group as a Lessee* (Continued)**

Lease Liabilities (Continued)

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

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

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease Modifications

The Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Lease (Continued)

***The Group as a Lessee* (Continued)**

Lease Modifications (Continued)

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a Lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased assets to the lessee. All other leases are classified as operating leases.

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption for short-term leases that have a lease term of 12 months or less and leases of low-value assets, then the Group classifies the sub-lease as an operating lease.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Foreign Currencies (Continued)

Exchange differences arising on settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Share-Based Payments

Equity-Settled Share-Based Payment Transactions

Share-Based Payments Arrangements

Where a shareholder transferred the equity instruments of a group entity to an employee in return for service provided to the Group, the transaction is accounted for as equity-settled share-based payment transaction of the Group. The fair value of services received is determined by reference to the fair value of the equity instruments at the grant date. It is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (i.e. long-term employee benefit reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to long-term employee benefit reserve.

If new equity instruments are granted to the employee and, on the date when those new equity instruments are granted, the Group identifies the new equity instruments granted as replacement equity instruments for the original grant of equity instruments which are cancelled or settled during the vesting period, the Group accounts for the granting of replacement equity instruments as a modification of the original grant of equity instruments. The incremental fair value granted is the difference between the fair value of the replacement equity instruments and the net fair value of the cancelled equity instruments, at the date the replacement equity instruments are granted. The incremental fair value granted is included in the measurement of the amount recognised for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period.

Share Options Granted to Employees

Equity-settled share-based payments to employees providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (long-term employee benefit reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to long-term employee benefit reserve.

When share options are exercised, the amount previously recognised in long-term employee benefit reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in long-term employee benefit reserve will be transferred to retained profits.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Short-Term and other Long-Term Employee Benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employee rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting period. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Employee Benefits

Short-Term Employee Benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Defined Contribution Plans

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

Termination Benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxation entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, Plant and Equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Intangible Assets

Intangible Assets Acquired Separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible Assets Acquired in a Business Combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with indefinite lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on Property, Plant and Equipment, Right-Of-Use Assets and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment on Property, Plant and Equipment, Right-Of-Use Assets and Intangible Assets Other Than Goodwill (Continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

Financial Assets

Classification and Subsequent Measurement of Financial Assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

Amortised Cost and Interest Income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of Financial Assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets and other assets which are subject to impairment assessment under HKFRS 9 (including rental deposits, trade receivables, certain other receivables, bank balances, pledged bank deposits, restricted bank balances and contract assets). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

***Financial Assets* (Continued)**

Impairment of Financial Assets (Continued)

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for certain debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

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

(I) Significant Increase in Credit Risk

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

***Financial Assets* (Continued)**

Impairment of Financial Assets (Continued)

(I) Significant Increase in Credit Risk (Continued)

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

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(II) Definition of Default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

Financial Assets **(Continued)**

Impairment of Financial Assets (Continued)

(III) Credit-impaired Financial Assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(IV) Write-off Policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

Financial Assets **(Continued)**

Impairment of Financial Assets (Continued)

(V) Measurement and Recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

Lifetime ECL for certain trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Nature of financial instruments (i.e. the Group's trade receivables and certain other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where applicable.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

***Financial Assets* (Continued)**

Derecognition of Financial Assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial Liabilities and Equity

Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial Liabilities at Amortised Cost

Financial liabilities (including trade payables, other payables and accrued charges, and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of Financial Liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

REVENUE RECOGNITION ON SERVICE CONTRACTS FROM INTERIOR DESIGN SERVICES, INTERIOR DECORATING AND FURNISHING DESIGN SERVICES AND PRODUCT DESIGN SERVICES

As detailed in notes 3 and 5, the Group recognised revenue on service contracts from interior design services, interior decorating and furnishing design services and product design services by reference to the progress towards complete satisfaction of the relevant performance obligation using input method, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The management regularly discusses with the project team in order to review and revise the estimates of the total contract costs based on estimated manhours and stage of completion of the work performed to date with reference to the performance and status of corresponding service contract work. Accordingly, revenue recognition on service contracts involves a significant degree of management estimates and judgment, with estimates being made to assess the total contract costs and contract costs incurred for work performed to date.

The management reviews and revises the estimates of total contract costs for the design services and contract costs incurred for work performed to date as the contract progresses, the actual outcome of the contract in terms of its total costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

ESTIMATED PROVISION OF ECL FOR TRADE RECEIVABLES AND CONTRACT ASSETS

Trade receivables and contract assets with different historical loss patterns or credit-impaired are assessed for ECL individually. In addition, when the Group does not have reasonable and supportable information that is available without undue cost or effort to measure ECL on individual basis, collective assessment is performed by grouping debtors that have similar loss patterns, after considering internal credit ratings of trade debtors based on ageing, repayment history and/or past due status of respective trade receivables.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

ESTIMATED PROVISION OF ECL FOR TRADE RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

The Group has considered all the possible default events over the expected life of the trade receivables and contract assets and assessed individually and/or collectively through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors based on ageing, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is reasonable and supportable available without undue costs or effort. In addition, trade receivables and contract assets that are credit-impaired are assessed for ECL individually. The loss allowance amount of the credit-impaired trade receivables and contract assets is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.

The provision of ECL is sensitive to changes in estimates. The information about the Group's assessment of ECL and the details of the Group's trade receivables and contract assets are disclosed in notes 35, 22 and 24, respectively.

5. REVENUE

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 years ended 31 December 2024 and 31 December 2023 is as follows:

	2024	2023
	HK$'000	HK$'000
Service revenue	**269,225**	261,969
License fee revenue	**1,578**	2,477
Trading income	**96,892**	91,357
	367,695	355,803

5. REVENUE (CONTINUED)

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group generates revenue from the transfer of goods and services over time and at point in time within the following brand divisions and geographical areas. Further details regarding the Group's principal activities are disclosed in note 6.

	SLD HK$'000	**SLL HK$'000**	**JHD HK$'000**	**Total HK$'000**
For the year ended 31 December 2024				
Geographical markets				
Hong Kong	**20,991**	**2,966**	**–**	**23,957**
The PRC	**168,994**	**103,097**	**46,333**	**318,424**
Other regions	**24,688**	**626**	**–**	**25,314**
	214,673	**106,689**	**46,333**	**367,695**
Timing of revenue recognition				
Over time				
Service revenue	**213,095**	**11,856**	**44,274**	**269,225**
At point in time				
License fee revenue	**1,578**	**–**	**–**	**1,578**
Trading income	**–**	**94,833**	**2,059**	**96,892**
	1,578	**94,833**	**2,059**	**98,470**
	214,673	**106,689**	**46,333**	**367,695**

	SLD HK$'000	SLL HK$'000	JHD HK$'000	Total HK$'000
For the year ended 31 December 2023				
Geographical markets				
Hong Kong	11,973	5,442	–	17,415
The PRC	170,872	96,400	57,509	324,781
Other regions	12,999	608	–	13,607
	195,844	102,450	57,509	355,803
Timing of revenue recognition				
Over time				
Service revenue	193,367	11,093	57,509	261,969
At point in time				
License fee revenue	2,477	–	–	2,477
Trading income	–	91,357	–	91,357
	2,477	91,357	–	93,834
	195,844	102,450	57,509	355,803

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

5. REVENUE (CONTINUED)

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

The Group provides interior design services, interior decorating and furnishing design services and product design services to clients. Such services are recognised as a performance obligation satisfied over time as the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation using input method.

The Group's service contracts include payment schedules which require stage payments over the design period once certain specified milestones are reached. The Group requires certain clients to provide upfront deposits range from 10% to 20% of total contract sum, when the Group receives a deposit before design service commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the design services are performed, representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional upon meeting the billing milestones.

The Group sells interior decorative products to clients, such trading income is recognised when control of the goods has been transferred, at which time the goods have been delivered to the specific location and confirmed by the clients.

The Group grants the right to use the Group's designed products to clients and the license fee revenue is recognised at a point in time at which the license is granted to the clients.

As at 31 December 2024, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK$507,144,000 (2023: HK$454,086,000). The expected timing of recognising revenue on transaction price related to the performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2024 is within one to two years (2023: one year).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

6. OPERATING SEGMENTS

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 ("**CODMs**"), i.e. the executive Directors, 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.

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 year ended 31 December 2024				
Revenue				
Segment revenue	220,548	112,666	48,245	381,459
Inter-segment revenue	(5,875)	(5,977)	(1,912)	(13,764)
Segment revenue from external clients	214,673	106,689	46,333	367,695
Gross profit	95,440	41,561	9,823	146,824
Selling expenses	(9,156)	(4,492)	(5,783)	(19,431)
Administrative expenses	(69,407)	(28,909)	(7,471)	(105,787)
Impairment losses on trade receivables and contract assets under ECL model	(3,876)	(1,876)	(694)	(6,446)
Other operating income (expenses)	932	(28)	(2,209)	(1,305)
Finance costs	(3,330)	(224)	(20)	(3,574)
Profit (loss) before taxation	10,603	6,032	(6,354)	10,281

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

6. OPERATING SEGMENTS (CONTINUED)

SEGMENT REVENUE AND RESULTS (CONTINUED)

	SLD HK$'000	SLL HK$'000	JHD HK$'000	Total HK$'000
For the year ended 31 December 2023				
Revenue				
Segment revenue	202,326	111,150	57,581	371,057
Inter-segment revenue	(6,482)	(8,700)	(72)	(15,254)
Segment revenue from external clients	195,844	102,450	57,509	355,803
Gross profit	84,037	32,610	22,622	139,269
Selling expenses	(12,280)	(1,051)	(7,502)	(20,833)
Administrative expenses	(65,298)	(34,230)	(7,710)	(107,238)
Impairment losses on trade receivables and contract assets under ECL model	(8,480)	(4,230)	(12,014)	(24,724)
Other operating income (expenses)	817	(218)	73	672
Finance costs	(4,031)	(359)	(41)	(4,431)
Loss before taxation	(5,235)	(7,478)	(4,572)	(17,285)

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment. This is the measure reported to the CODMs for the purposes of resource allocation and performance assessment.

The CODMs make decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODMs do not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

6. OPERATING SEGMENTS (CONTINUED)

OTHER SEGMENT INFORMATION

Amounts Included in the Measure of Segment Results

	SLD HK$'000	SLL HK$'000	JHD HK$'000	Total HK$'000
For the year ended 31 December 2024				
Amortisation of intangible assets	**387**	**–**	**7**	**394**
Depreciation of property, plant and equipment	**3,817**	**569**	**653**	**5,039**
Depreciation of right-of-use assets	**17,684**	**1,513**	**355**	**19,552**
Gain on disposals of property, plant and equipment	**(40)**	**–**	**–**	**(40)**
(Reversal of) impairment losses on trade receivables under ECL model	**(2,902)**	**917**	**(861)**	**(2,846)**
Impairment losses on contract assets under ECL model	**6,778**	**959**	**1,555**	**9,292**
Provision for litigations	**–**	**–**	**2,242**	**2,242**
Interest income	**(196)**	**(51)**	**(16)**	**(263)**

	SLD HK$'000	SLL HK$'000	JHD HK$'000	Total HK$'000
For the year ended 31 December 2023				
Amortisation of intangible assets	402	–	7	409
Depreciation of property, plant and equipment	4,762	53	222	5,037
Depreciation of right-of-use assets	18,536	1,699	362	20,597
Loss on disposals of property, plant and equipment	209	1	–	210
(Reversal of) impairment losses on trade receivables under ECL model	(732)	3,047	4,399	6,714
Impairment losses on contract assets under ECL model	9,212	1,183	7,615	18,010
Interest income	(237)	(99)	(15)	(351)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

6. OPERATING SEGMENTS (CONTINUED)

GEOGRAPHICAL INFORMATION

The Group's revenue from external clients is mainly derived from clients located in Hong Kong and the PRC, which is determined based on the location of projects.

	2024	2023
	HK$'000	HK$'000
External revenue:		
Hong Kong	**23,957**	17,415
The PRC	**318,424**	324,781
Other regions	**25,314**	13,607
	367,695	355,803

The Group's non-current assets (excluding deferred tax assets) are located in Hong Kong and the PRC, which is determined based on the geographical location of these assets.

	2024	2023
	HK$'000	HK$'000
Hong Kong	**19,501**	29,318
The PRC	**43,976**	39,121
	63,477	68,439

INFORMATION ABOUT MAJOR CLIENTS

During the years ended 31 December 2024 and 2023, none of the Group's single customer attributed to more than 10% of the Group's total external revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

7. OTHER GAINS AND (LOSSES)

	2024	2023
	HK$'000	HK$'000
Exchange loss, net	(1,878)	(220)
Gain (loss) on disposals of property, plant and equipment	40	(210)
Loss on lease termination	–	(404)
Gain on lease modification	–	13
Provision for litigations (Note)	(2,242)	–
	(4,080)	(821)

Note: During the year, the Group has encountered two legal disputes involving restricted bank balances. These disputes have been treated as follows:

(i) 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 in Renminbi ("**RMB**") 1,566,000 (equivalent to approximately HK$1,699,000). As at 31 December 2024, a bank account of approximately RMB1,566,000 was frozen due to the dispute.

(ii) 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 31 December 2024, a bank account of approximately RMB501,000 was frozen due to the case.

8. OTHER INCOME

	2024	2023
	HK$'000	HK$'000
Grants received from local government (Note (a))	188	262
Interest income from bank deposits	263	351
Membership fee income (Note (b))	1,660	–
Miscellaneous income	664	880
	2,775	1,493

Notes:

(a) The amounts mainly represented subsidies received by the Group from PRC's local government authorities as incentives to support the Group's business. There were no other specific conditions to the grants and therefore, the Group recognised the grants upon approval being obtained from the relevant PRC government authorities.

(b) Membership fee income arising from the Group's newly established "Design Hub", which is a design-driven social community space by utilising its idle office area of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

9. FINANCE COSTS

	2024	2023
	HK$'000	HK$'000
Interest on bank borrowings	1,940	2,373
Interest on lease liabilities	1,634	2,058
	3,574	4,431

10. INCOME TAX EXPENSE

	2024	2023
	HK$'000	HK$'000
Current tax:		
Hong Kong Profits Tax	495	–
PRC Enterprise Income Tax	4,516	6,022
	5,011	6,022
Under provision in prior years:		
PRC Enterprise Income Tax	389	55
Deferred taxation (note 20)	3,675	(3,387)
	9,075	2,690

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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 years.

The EIT Law requires withholding tax to be levied on distribution of profits earned by the PRC entities for profits generated after 1 January 2008 at rate of 5% for Hong Kong resident companies, which are the beneficial owners of the dividend received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

10. INCOME TAX EXPENSE (CONTINUED)

The income tax expense for the year can be reconciled from the profit (loss) before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2024 HK$'000	2023 HK$'000
Profit (loss) before taxation	**10,281**	(17,285)
Tax at applicable tax rate of 16.5% (2023: 16.5%)	**1,697**	(2,852)
Tax effect of income not taxable for tax purpose	**(206)**	(95)
Tax effect of expenses not deductible for tax purpose	**1,981**	1,444
Tax effect of tax losses not recognised	**2,593**	3,029
Utilisation of tax losses previously not recognised	**(260)**	(92)
Effect of different tax rate of the PRC subsidiaries operating in other jurisdiction	**2,881**	1,201
Under provision in prior years	**389**	55
Income tax expense for the year	**9,075**	2,690

11. PROFIT (LOSS) FOR THE YEAR

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

	2024 HK$'000	2023 HK$'000
Amortisation of intangible assets		
– included in cost of sales	**170**	173
– included in administrative expenses	**224**	236
	394	409
Auditor's remunerations	**1,080**	1,080
Cost of inventories recognised as an expense	**61,413**	63,287
Depreciation of property, plant and equipment	**5,039**	5,037
Depreciation of right-of-use assets	**19,552**	20,597
Staff costs:		
Directors' emoluments (note 12)	**15,970**	12,217
Other staffs		
– basic salaries, allowances and other benefits	**118,815**	130,471
– discretionary bonus	**14,463**	9,833
– retirement benefits scheme contributions	**17,004**	18,679
	150,282	158,983
	166,252	171,200

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to the directors of the Company by the Group during the current and prior years are as follows:

	Directors' fees HK$'000	Basic salaries allowances and other benefits HK$'000	Discretionary bonus HK$'000 (Note (c))	Retirement benefits scheme contributions HK$'000	Total HK$'000
For the year ended 31 December 2024					
Executive directors:					
Leung Chi Tien Steve, BBS (Note (e))	–	7,604	607	278	8,489
Siu Man Hei (Note (a))	–	3,600	451	176	4,227
Yip Kwok Hung Kevin (Note (b))	–	1,500	213	73	1,786
Ding Chunya	–	459	–	91	550
Non-executive directors:					
Xu Xingli	360	–	–	18	378
Ding Jingyong	–	–	–	–	–
Independent non-executive directors:					
Tsang Ho Ka Eugene	180	–	–	–	180
Liu Yi	180	–	–	–	180
Sun Yansheng (Note (f))	92	–	–	–	92
Wang Wanjun (Note (g))	88	–	–	–	88
	900	13,163	1,271	636	15,970

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

	Directors' fees HK$'000	Basic salaries allowances and other benefits HK$'000	Discretionary bonus HK$'000 (Note (c))	Retirement benefits scheme contributions HK$'000	Total HK$'000
For the year ended 31 December 2023					
Executive directors:					
Leung Chi Tien Steve, BBS (Note (e))	–	4,504	214	225	4,943
Siu Man Hei (Note (a))	–	3,240	285	162	3,687
Yip Kwok Hung Kevin (Note (b))	–	1,350	181	68	1,599
Ding Chunya	–	468	332	94	894
Kau Wai Fun (Note (d))	–	318	47	9	374
Non-executive directors:					
Xu Xingli	180	–	–	–	180
Ding Jingyong	–	–	–	–	–
Independent non-executive directors:					
Tsang Ho Ka Eugene	180	–	–	–	180
Liu Yi	180	–	–	–	180
Sun Yansheng (Note (f))	180	–	–	–	180
	720	9,880	1,059	558	12,217

Notes:

(a) Siu Man Hei is the chief executive officer of the Company.

(b) Yip Kwok Hung Kevin is the chief financial officer of the Company.

(c) Executive directors of the Company are entitled to discretionary bonus which is determined with reference to the performance of the Group.

(d) Kau Wai Fun resigned as executive director with effect from 14 February 2023.

(e) Leung Chi Tien Steve, BBS was appointed as executive director with effect from 14 February 2023.

(f) Sun Yansheng resigned as independent non-executive director with effect from 5 July 2024.

(g) Wang Wanjun was appointed as independent non-executive director with effect from 5 July 2024.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

The emoluments of executive directors and non-executive directors shown above were for their services in connection with the management of the affairs of the Company and the Group.

The emoluments of independent non-executive directors shown above were for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any emoluments for both years.

13. FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group during the year ended 31 December 2024 included three (2023: three) directors of the Company, details of whose emoluments are included in note 12 above. The emoluments of the remaining two (2023: two) highest paid employees are as follows:

	2024	2023
	HK$'000	HK$'000
Basic salaries, allowances and other benefits	**2,398**	2,352
Discretionary bonus (Note)	**571**	201
Retirement benefits scheme contributions	**68**	72
	3,037	2,625

Note: Certain employees of the Company are entitled to discretionary bonus which is determined with reference to the performance of the Group.

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	No. of employees	
	2024	2023
Below HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**1**	–
	2	2

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

14. DIVIDEND

The Directors did not recommend the payment of any final dividend for both 2023 and 2024.

15. EARNINGS (LOSS) PER SHARE

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

	2024	2023
	HK$'000	HK$'000
Profit (loss)		
Profit (loss) for the year attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share	**1,805**	(18,841)

	2024	2023
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**1,141,401,000**	1,141,401,000

Diluted earnings per share for the year ended 31 December 2024 is the same as basic earnings per share as there is no potential dilutive ordinary shares in existence during the year presented.

The computation of diluted loss per share for the year ended 31 December 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 year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Land and buildings HK$'000	Total HK$'000
COST						
At 1 January 2023	41,383	2,530	35,097	7,248	–	86,258
Additions	521	–	462	–	3,918	4,901
Disposals	(3)	(663)	(2,297)	(3,317)	–	(6,280)
Exchange realignments	(408)	–	(270)	(9)	(19)	(706)
At 31 December 2023	41,493	1,867	32,992	3,922	3,899	84,173
Additions	580	91	1,203	706	3,630	6,210
Transfer from right-of-use assets	–	–	–	2,990	–	2,990
Disposals	–	–	(394)	(1,649)	–	(2,043)
Exchange realignments	(471)	–	(299)	(9)	(82)	(861)
At 31 December 2024	41,602	1,958	33,502	5,960	7,447	90,469
DEPRECIATION						
At 1 January 2023	35,486	2,485	29,166	5,249	–	72,386
Provided for the year	2,040	45	2,132	783	37	5,037
Eliminated upon disposals	(3)	(663)	(1,944)	(3,317)	–	(5,927)
Exchange realignments	(338)	–	(191)	(5)	–	(534)
At 31 December 2023	37,185	1,867	29,163	2,710	37	70,962
Provided for the year	1,829	16	1,639	1,063	492	5,039
Transfer from right-of-use assets	–	–	–	1,512	–	1,512
Eliminated upon disposals	–	–	(353)	(1,544)	–	(1,897)
Exchange realignments	(418)	–	(230)	(6)	(2)	(656)
At 31 December 2024	38,596	1,883	30,219	3,735	527	74,960
CARRYING VALUES						
At 31 December 2024	3,006	75	3,283	2,225	6,920	15,509
At 31 December 2023	4,308	–	3,829	1,212	3,862	13,211

The above items of property, plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the remaining term of leases or 25%
Furniture and fixtures	25%
Office equipment	18% to 47.5%
Motor vehicles	20% to 25%
Land and buildings	5%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

17. RIGHT-OF-USE ASSETS

	Leased properties	Office equipment	Motor vehicle	Total
	HK$'000	HK$'000	HK$'000	HK$'000
AS AT 31 DECEMBER 2024				
Carrying amounts	38,264	1,910	–	40,174
AS AT 31 DECEMBER 2023				
Carrying amounts	39,609	2,333	1,743	43,685
FOR THE YEAR ENDED 31 DECEMBER 2024				
Depreciation charge	18,033	1,254	265	19,552
Expense relating to short-term leases				2,034
Total cash flow for leases				24,733
Additions to right-of-use assets				858
Transfer to property, plant and equipment				1,478
FOR THE YEAR ENDED 31 DECEMBER 2023				
Depreciation charge	19,220	1,301	76	20,597
Expense relating to short-term leases				1,529
Total cash flow for leases				23,575
Additions to right-of-use assets				1,819

During both years, the Group leased various office premises, office equipment and motor vehicle for its operations. Lease contracts are entered into for fixed term of 2 years to 5 years (2023: 2 years to 5 years). Lease terms are negotiated on an individual basis and contained different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applied the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for office premises. As at 31 December 2024 and 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term expense disclosed above.

RESTRICTION OR COVENANTS ON LEASES

The lease arrangements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purpose.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

18. INTANGIBLE ASSETS

	Software	Backlog contracts	License	Total
	HK$'000	HK$'000	HK$'000	HK$'000
	(Note (a))	(Note (b))	(Note (c))	
COST				
At 1 January 2023	5,810	1,207	787	7,804
Additions	78	–	–	78
Exchange realignments	(87)	–	(30)	(117)
At 31 December 2023	5,801	1,207	757	7,765
Additions	5	–	–	5
Exchange realignments	(101)	–	(34)	(135)
At 31 December 2024	5,705	1,207	723	7,635
AMORTISATION				
At 1 January 2023	3,782	1,207	787	5,776
Provided for the year	409	–	–	409
Exchange realignments	(58)	–	(30)	(88)
At 31 December 2023	4,133	1,207	757	6,097
Provided for the year	394	–	–	394
Exchange realignments	(73)	–	(34)	(107)
At 31 December 2024	4,454	1,207	723	6,384
CARRYING VALUES				
At 31 December 2024	1,251	–	–	1,251
At 31 December 2023	1,668	–	–	1,668

Notes:

(a) The software has finite useful lives and is amortised on a straight-line basis at 10% per annum.

(b) The backlog contracts, which represented backlog orders from ongoing design projects, were purchased as part of a business combination in prior years and were fully amortised during the year ended 31 December 2017. The amortisation period was approximately 1 year based on the expected completion date of the backlogs.

(c) The license represents Architect Design and Design Grade A License (建築裝飾工程設計專項甲級) which were purchased as part of a business combination in prior years and were fully amortised during the year ended 31 December 2020. The license has finite useful lives and is amortised on a straight-line basis for approximately 3.5 years.

19. GOODWILL

	HK$'000
At 1 January 2023	1,205
Exchange realignments	(18)
At 31 December 2023	1,187
Exchange realignments	(21)
At 31 December 2024	1,166

For the purpose of impairment testing, goodwill has been allocated to a cash-generating unit, representing 北京江河創建建築裝飾設計研究院有限公司 acquired by the Group during the year ended 31 December 2016, in the JHD segment.

During the year ended 31 December 2024, the management performed impairment review for the goodwill. The recoverable amount of the cash-generating unit has been determined by a value-in-use calculation based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a 5-year period as approved by management and using a pre-tax discount rate of 14.37% (2023: 13.43%), that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit. The cash flows beyond the five-year period are extrapolated using a 2% (2023: 2%) growth rate. The growth rate is based on industry growth forecasts. Changes in gross margin are based on past practices and expectation of future changes in the market. The management believes that reasonably possible change in any of these assumptions would not cause the carrying amount of the cash-generating unit containing the goodwill to exceed its recoverable amount.

20. DEFERRED TAXATION

The following are the major deferred tax (assets) liabilities recognised and movement thereon during the current and prior years:

	Accelerated accounting depreciation	Allowance for credit losses	Accrued expenses	Tax losses	Unrealised profits	Lease Liabilities	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2023	(954)	(23,995)	–	(19,201)	1,205	–	(42,945)
Charge (credit) to profit or loss	237	(4,170)	–	714	221	(389)	(3,387)
Exchange realignments	–	158	–	95	–	–	253
At 31 December 2023	(717)	(28,007)	–	(18,392)	1,426	(389)	(46,079)
Charge (credit) to profit or loss	53	(1,103)	(143)	3,397	1,311	160	3,675
Exchange realignments	–	547	–	104	36	(2)	685
At 31 December 2024	(664)	(28,563)	(143)	(14,891)	2,773	(231)	(41,719)

20. DEFERRED TAXATION (CONTINUED)

For the purpose of presentation in the consolidated statement of financial position, the following is the analysis of the deferred taxation:

	2024	2023
	HK$'000	HK$'000
Deferred tax assets	**(51,558)**	(52,393)
Deferred tax liabilities	**9,839**	6,314
	(41,719)	(46,079)

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiary from 1 January 2008 onwards. As at 31 December 2024, the aggregate amount of temporary differences associated with undistributed earnings of the PRC subsidiaries for which deferred tax liabilities have not been recognised are HK$116,989,000 (2023: HK$136,956,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At 31 December 2024, the Group had unused estimated tax losses of HK$221,823,000 (2023: HK$221,396,000) available for offset against future profits. A deferred tax asset has been recognised in respect of such tax losses of HK$90,245,000 (2023: HK$111,461,000). No deferred tax asset has been recognised on the remaining tax losses of HK$131,578,000 (2023: HK$109,935,000) due to the unpredictability of future profit streams. The tax losses available may be carried forward indefinitely under the tax regulations, except for those arising from the PRC subsidiaries of approximately HK$11,559,000 (2023: HK$38,419,000), which can be carried forward only for five years from the recognition date of unused tax losses.

21. INVENTORIES

Inventories represent finished goods for trading purpose.

22. TRADE RECEIVABLES

	2024	2023
	HK$'000	HK$'000
Trade receivables	**168,559**	156,284
Less: allowance for credit losses	**(58,672)**	(59,431)
Trade receivables (net carrying amount)	**109,887**	96,853
Unbilled receivables (Note)	**57,779**	71,654
Less: allowance for credit losses	**(28,936)**	(32,401)
Unbilled receivables (net carrying amount)	**28,843**	39,253
	138,730	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 year end.

Included in the carrying amount of trade receivables as at 31 December 2024 is an amount of HK$7,278,000 (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.

	2024	2023
	HK$'000	HK$'000
0 to 30 days	**50,546**	32,119
31 to 90 days	**6,162**	19,275
91 to 180 days	**8,875**	9,905
181 days to 1 year	**7,461**	5,597
Over 1 year	**36,843**	29,957
	109,887	96,853

There is no credit period given on billing for its clients.

As at 31 December 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$109,887,000 (2023: HK$96,853,000) which are past due as at the reporting date. Out of the past due balances, HK$53,179,000 (2023: HK$45,459,000) has been past due more than 90 days and is not considered as in default since the amounts are still considered as recoverable based on historical experience and forward-looking estimates. As at 31 December 2024, the Group's trade receivables of HK$9,654,000 (2023: HK$7,120,000) are collateralised by certain client's PRC properties, of which HK$7,945,000 (2023: HK$7,120,000) are related to debtors with balances due over 1 year.

During both years, certain clients have settled their outstanding balances by transfer of buildings, and such buildings were recognised as property, plant and equipment upon completion of transfer.

Details of impairment assessment for the year ended 31 December 2024 are set out in note 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2024	2023
	HK$'000	HK$'000
Other receivables	**3,667**	4,834
Value-added tax recoverable	**1,919**	1,281
Prepayments of expenses	**3,059**	2,451
Rental deposits	**5,379**	5,421
Deposits paid for acquisition of property, plant and equipment	**–**	3,269
Other deposits	**743**	568
	14,767	17,824
Analysed as:		
Current	**9,390**	9,136
Non-current – Deposits paid for acquisition of property, plant and equipment	**–**	3,269
Non-current – Rental deposits	**5,377**	5,419
	14,767	17,824

Details of impairment assessment for the year ended 31 December 2024 are set out in note 35.

24. CONTRACT ASSETS

	2024	2023
	HK$'000	HK$'000
Interior design services	**124,798**	107,525
Interior decorating and furnishing services	**8,692**	7,078
Less: allowance for credit losses	**(43,167)**	(34,432)
	90,323	80,171

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional 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.

Included in the carrying amount of contract assets as at 31 December 2024 is an amount of HK$698,000 (2023: HK$1,122,000) from related parties controlled by a controlling shareholder of the Company.

The Group's design services include payment schedules which require stage payments over the service period once certain specified milestones are reached. The Group requires certain clients to provide upfront deposits range from 10% to 20% of total contract sum as part of its credit risk management policies.

24. CONTRACT ASSETS (CONTINUED)

There was no retention monies held by clients for contract works performed at the end of each reporting period.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

Details of impairment assessment for the year ended 31 December 2024 are set out in note 35.

25. BANK BALANCES AND CASH, PLEDGED BANK DEPOSITS AND RESTRICTED BANK BALANCES

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

As at 31 December 2024, the restricted bank balance of HK$2,720,000 (2023: HK$1,723,000), which was due to legal disputes in the PRC, details of which are set out in notes 7 and 41.

Cash at banks earns interest at market interest rates.

As at 31 December 2024, the bank balances and cash of the Group denominated in RMB amounted to HK$121,742,000 (2023: HK$124,477,000).

Details of impairment assessment for the year ended 31 December 2024 are set out in note 35.

26. 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:

	2024	2023
	HK$'000	HK$'000
0 to 180 days	**36,893**	32,262
Over 180 days	**13,732**	11,652
	50,625	43,914

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

	2024	2023
	HK$'000	HK$'000
Accrued staff benefits	**10,191**	13,859
Other payables and accrued charges	**7,809**	6,825
Provision for litigations (note 7)	**2,242**	–
	20,242	20,684

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

27. BANK BORROWINGS

	2024	2023
	HK$'000	HK$'000
Unsecured	**20,000**	30,000
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 31 December 2024, included in the Group's borrowings are variable-rate borrowings of HK$20,000,000 (2023: HK$30,000,000) carrying interest ranging from 3.00% to 3.75% (2023: 3.25% to 3.75%) per annum over Hong Kong Interbank Offered Rate.

28. LEASE LIABILITIES

	2024	2023
	HK$'000	HK$'000
Within one year	**17,506**	20,232
Within a period of more than one year but not more than two years	**11,797**	14,928
Within a period of more than two years but not more than five years	**12,392**	10,106
	41,695	45,266
Less: Amount due for settlement within 12 months shown under current liabilities	**(17,506)**	(20,232)
Amount due for settlement after 12 months shown under non-current liabilities	**24,189**	25,034

The weighted average lease's incremental borrowing rates applied by the Group ranged from 2.8% to 5.9% (2023: 2.8% to 5.9%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

29. CONTRACT LIABILITIES

	2024	2023
	HK$'000	HK$'000
Interior design services	**9,253**	6,529
Interior decorating and furnishing services	**10,131**	8,574
	19,384	15,103

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

Movements in contract liabilities:

	2024	2023
	HK$'000	HK$'000
Balance at the beginning of the year	**15,103**	24,044
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(5,840)**	(15,094)
Increase in contract liabilities as a result of receiving deposits from the clients	**10,835**	6,425
Exchange realignments	**(714)**	(272)
Balance at the end of the year	**19,384**	15,103

When the Group receives a deposit before the design services commence, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

30. SHARE CAPITAL

	Number of shares	**HK$**
Ordinary share of the Company of HK$0.01 each		
Authorised		
At 1 January 2023, 31 December 2023 and 31 December 2024	4,000,000,000	40,000,000
Issued and fully paid		
At 1 January 2023, 31 December 2023 and 31 December 2024	1,141,401,000	11,414,010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

31. FINANCIAL INFORMATION OF THE COMPANY

The following is the statement of financial position of the Company:

	2024 HK$'000	2023 HK$'000
Non-current Asset		
Interests in subsidiaries	**112,900**	112,900
Current Assets		
Amounts due from subsidiaries	**157,178**	158,921
Other receivables	**285**	115
Bank balances and cash	**169**	451
	157,632	159,487
Current Liabilities		
Other payables and accrued charges	**225**	215
Net Current Assets	**157,407**	159,272
Total Assets less Current Liabilities	**270,307**	272,172
Capital and Reserves		
Share capital (note 30)	**11,414**	11,414
Reserves	**258,893**	260,758
Total Equity	**270,307**	272,172

The followings are the movements in reserves of the Company for the current and prior years:

	Share Premium HK$'000 (Note)	**Retained profits** HK$'000	**Total** HK$'000
At 1 January 2023	258,224	4,298	262,522
Loss and total comprehensive expense for the year	–	(1,764)	(1,764)
At 31 December 2023	258,224	2,534	260,758
Loss and total comprehensive expense for the year	–	(1,865)	(1,865)
At 31 December 2024	258,224	669	258,893

Note: Share premium represents (i) the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the share capital and other reserves of SLD Group Holdings Limited, a subsidiary which was incorporated pursuant to the Reorganisation and (ii) the share premium arising from the issuance of new shares upon the exercise of share options under share option scheme.

32. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2024, the Group entered into new lease arrangements for the use of leased properties and office equipment (2023: leased properties and motor vehicle). These arrangements included addition of lease and leases modifications, with lease terms for 2-5 years (2023: 2-5 years). On the lease commencement, the Group recognised HK$17,884,000 (2023: HK$29,761,000) right-of-use assets and HK$17,884,000 (2023: HK$29,342,000) lease liabilities.

33. RELATED PARTY TRANSACTIONS

Other than the balances and transactions with related parties disclosed elsewhere in these consolidated financial statements, the Group has entered into the following transactions with its related parties for the current and prior years:

Relationship	**Nature of transactions**	**2024**	2023
		HK$'000	HK$'000
Fellow subsidiary	Consultancy service expense	**3,080**	2,007
	Interior design service income	**4,551**	4,789
	Rental expense	**257**	892
	Purchase of property, plant and equipment	**30**	–
Related company (Note)	Interior design service income	**–**	219

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

COMPENSATION OF KEY MANAGEMENT PERSONNEL

Directors are the key management personnel of the Group whose emoluments are disclosed in note 12.

The remuneration of other key management personnel of the Group, Leung Chi Tien Steve, BBS, is as follows:

	2024	2023
	HK$'000	HK$'000
Basic salaries, allowance and other benefits	**–**	2,400
Discretionary bonus	**–**	237
Retirement benefits scheme contributions	**–**	31
	–	2,668

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

33. RELATED PARTY TRANSACTIONS (CONTINUED)

COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

Leung Chi Tien Steve, BBS was appointed as executive director with effect from 14 February 2023 and his emoluments from 14 February 2023 to 31 December 2023 and for the year ended 31 December 2024 are disclosed in note 12.

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

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the year.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 27, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through payment of dividends, issue of new shares as well as issue of new debts or redemption of existing debts.

The gearing ratio at the end of reporting period is as follows:

	2024	2023
	HK$'000	HK$'000
Debt	**20,000**	30,000
Cash and cash equivalents	**(140,883)**	(148,892)
Net debt	**(120,883)**	(118,892)
Equity attributable to owners of the Company	**303,273**	304,538
Net debt to equity ratio	**N/A**	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2024 HK$'000	2023 HK$'000
Financial assets		
Financial assets at amortised cost	**292,122**	297,755
Financial liabilities		
Amortised cost	**132,400**	139,864

FINANCIAL RISK MANAGEMENT OBJECTIVES

The major financial instruments of the Group include trade receivables, certain other receivables, pledged bank deposits, restricted bank balances, bank balances and cash, trade payables, other payables and accrued charges, bank borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the Group's risk exposure relating to financial instruments or the manner in which it manages and measures the risks during the year.

Interest Rate Risk

The Group is mainly exposed to cash flow interest rate risk in relation to bank balances and cash (see note 25 for details), bank borrowings (see note 27 for details) and lease liabilities (see note 28 for details). The exposures associated with bank balances and cash and lease liabilities are considered to be minimal, with no significant sensitivity to changes in interest rates observed in relation to these assets and liabilities.

The Group's cash flow interest rate risk is concentrated on the fluctuation of the Hong Kong Interbank Offered Rate. For the variable rate bank borrowings, the Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

SENSITIVITY ANALYSIS

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate bank borrowings at the end of each reporting period and assumed that the amount of liabilities outstanding at the end of each period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis higher/lower and all other variables were held constant, the Group post-tax profit for the year would decrease/increase by HK$167,000 (2023: loss for the year would increase/decrease by HK$251,000).

35. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

Foreign Currency Risk

The Group has foreign currency transactions, which expose the Group to foreign currency risk.

At the end of the reporting period, the carrying amounts of the Group's monetary assets and monetary liabilities including inter-company balances denominated in currencies other than the functional currencies of its respective group entities are as follows:

	2024		2023	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
United States Dollars ("**US$**")	**7,158**	**–**	2,221	–
RMB	**22,113**	**–**	32,423	–
Euro ("**EUR**")	**647**	**–**	3,090	–
Singapore Dollars ("**SGD**")	**719**	**–**	10	–
Great British Pound ("**GBP**")	**156**	**–**	554	–
Dirham ("**AED**")	**–**	**–**	123	–
HK$	**305**	**–**	403	–
Inter-company balances RMB	**31,059**	**–**	28,067	–

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

35. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

Foreign Currency Risk (Continued)

SENSITIVITY ANALYSIS

Since HK$ is pegged to US$, sensitivity analysis is not presented. The following table details the Group's sensitivity to a 5% increase and decrease in the relevant foreign currencies against the respective functional currencies of group entities. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis has been prepared based on outstanding foreign currency denominated monetary items and also inter-company balances and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit (2023: a decrease in post-tax loss) where the foreign currencies strengthen 5% against the relevant functional currencies. For a 5% weakening of the foreign currencies against the relevant functional currencies, there would be an equal and opposite impact on the post-tax profit (2023: loss) and the balances below would be negative. The sensitivity analysis of the Group also includes currency risk exposure on inter-company balances.

	RMB impact		**EUR impact**		**SGD impact**		**GBP impact**		**AED impact**		**HK$ impact**	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Increase/decrease in post-tax profit/loss for the year	**2,220**	2,525	**27**	129	**30**	–	**7**	23	**-**	5	**13**	17

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

35. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

Credit Risk and Impairment Assessment

As at 31 December 2024, the maximum exposure to credit risk by the Group which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to manage its credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each debt on a collective and on-going basis to ensure that adequate impairment losses are made for irrecoverable amounts. A net impairment loss of HK$6,446,000 (2023: HK$24,724,000) in respect of the trade receivables and contract assets were recognised in profit or loss by the Group for the year ended 31 December 2024.

For other receivables, the management of the Group makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management considered that the impairment was insignificant and therefore no impairment loss was recognised in profit or loss during the year.

The Group has no significant concentration of credit risk in respect of trade and certain other receivables, with exposure spread over a number of counterparties and clients during the year.

The credit risk on liquid funds of the Group is limited because the counterparties are international or state-managed banks with high credit-ratings assigned by international credit-rating agencies.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets/other items
Low risk	The counterparty has a low risk of default	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle the amounts	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

35. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

Credit Risk and Impairment Assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

2024	**Notes**	**Internal credit rating**	**12m or lifetime ECL**	**Gross carrying amounts**	
				HK$'000	**HK$'000**
Financial assets at amortised cost					
Bank balances, pledged bank deposits and restricted bank balances	25	(Note)	12m ECL	**143,505**	**143,505**
Certain other receivables	23	Low risk	12m ECL	**9,789**	**9,789**
Trade receivables	22	Low risk	Lifetime ECL – not credit-impaired	**121,847**	
		Watch list	Lifetime ECL – not credit-impaired	**21,354**	
		Doubtful	Lifetime ECL – not credit-impaired	**22,561**	
		Loss	Lifetime ECL – credit-impaired	**60,576**	**226,338**
Other items					
Contract assets	24	Low risk	Lifetime ECL – not credit-impaired	**73,964**	
		Watch list	Lifetime ECL – not credit-impaired	**25,664**	
		Doubtful	Lifetime ECL – not credit-impaired	**16,428**	
		Loss	Lifetime ECL – credit-impaired	**17,434**	**133,490**

2023	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amounts	
				HK$'000	HK$'000
Financial assets at amortised cost					
Bank balances, pledged bank deposits and restricted bank balances	25	(Note)	12m ECL	150,658	150,658
Certain other receivables	23	Low risk	12m ECL	10,823	10,823
Trade receivables	22	Low risk	Lifetime ECL – not credit-impaired	99,538	
		Watch list	Lifetime ECL – not credit-impaired	39,275	
		Doubtful	Lifetime ECL – not credit-impaired	36,522	
		Loss	Lifetime ECL – credit-impaired	52,603	227,938
Other items					
Contract assets	24	Low risk	Lifetime ECL – not credit-impaired	63,090	
		Watch list	Lifetime ECL – not credit-impaired	24,918	
		Doubtful	Lifetime ECL – not credit-impaired	15,300	
		Loss	Lifetime ECL – credit-impaired	11,295	114,603

Note: The counterparties are licensed banks with high credit ratings and the risk of default on liquid funds is limited.

35. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

Credit Risk and Impairment Assessment (Continued)

As part of the Group's credit risk management, the Group applies internal credit rating for its clients in relation to its operation. The trade receivables and contract assets are assessed on a collective basis after considering internal credit rating of trade debtors based on ageing, repayment history and/or past due status of respective trade receivables, other than clients with different historical loss patterns or credit-impaired which are assessed individually. The table below details the credit risk exposure of the Group's trade receivables and contract assets within Lifetime ECL (not credit-impaired).

GROSS CARRYING AMOUNT

		2024			2023	
Internal credit rating	**Average loss rate**	**Trade receivables HK$'000**	**Contract assets HK$'000**	Average loss rate	Trade receivables HK$'000	Contract assets HK$'000
Low risk	**7.8%**	**121,847**	**73,964**	8.2%	99,538	63,090
Watch list	**31.6%**	**21,354**	**25,664**	33.5%	39,275	24,918
Doubtful	**57.8%**	**22,561**	**16,428**	53.2%	36,522	15,300
		165,762	**116,056**		175,335	103,308

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets. Due to greater financial uncertainty on the settlement from the Group's clients, the Group has increased the expected loss rates in the current year as there is higher risk that some of the residential property developers clients of the Group appear to be in severe financial difficulties which could lead to increased credit default rates.

During the year ended 31 December 2024, the Group reversed HK$2,846,000 (2023: provided HK$6,714,000) net impairment allowance for trade receivables and provided HK$9,292,000 (2023: HK$18,010,000) net impairment allowance for contract assets. Impairment allowance of HK$60,576,000 (2023: HK$52,603,000) and HK$17,434,000 (2023: HK$11,295,000) were made on credit-impaired trade receivables and contract assets respectively, as at 31 December 2024.

35. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

Credit Risk and Impairment Assessment (Continued)

GROSS CARRYING AMOUNT (CONTINUED)

The following table shows the movement in allowance for credit losses that has been recognised for trade receivables and contract assets under the simplified approach.

	Lifetime ECL not credit impaired	**Lifetime ECL credit impaired**	**Total**
	HK$'000	HK$'000	HK$'000
As at 1 January 2023	43,565	62,541	106,106
Net impairment recognised in profit or loss	22,527	2,197	24,724
Written off	(3,106)	–	(3,106)
Exchange realignments	(620)	(840)	(1,460)
As at 31 December 2023	62,366	63,898	126,264
Net impairment (reversed) recognised in profit or loss	(8,714)	15,160	6,446
Exchange realignments	(887)	(1,048)	(1,935)
As at 31 December 2024	52,765	78,010	130,775

Liquidity Risk

In the management of the liquidity risk, the Group monitors a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following tables detail the contractual maturity of the Group's financial liabilities based on the earliest date on which the Group can be required to pay.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

35. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

Liquidity Risk (Continued)

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amounts
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024						
Trade payables	**–**	**50,625**	**–**	**–**	**50,625**	**50,625**
Other payables and accrued charges	**–**	**20,080**	**–**	**–**	**20,080**	**20,080**
Bank borrowings	**–**	**20,000**	**–**	**–**	**20,000**	**20,000**
Lease liabilities	**3.94**	**5,125**	**13,698**	**25,545**	**44,368**	**41,695**
		95,830	**13,698**	**25,545**	**135,073**	**132,400**
As at 31 December 2023						
Trade payables	–	43,914	–	–	43,914	43,914
Other payables and accrued charges	–	20,684	–	–	20,684	20,684
Bank borrowings	–	30,000	–	–	30,000	30,000
Lease liabilities	4.30	5,660	16,088	26,113	47,861	45,266
		100,258	16,088	26,113	142,459	139,864

Bank borrowing with a repayment on demand clause is included in the "on demand or less than 3 months" time band in the above maturity analysis. As at 31 December 2024, the aggregate undiscounted principal amounts of the bank borrowing with a repayment on demand clause amounted to HK$20,000,000 (2023: HK$30,000,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the bank will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowing will be repaid within 1 year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreement, details of which are set out in the table below. As such, the undiscounted cash flows amounts below include principal and interest payments computed using contractual rates.

	Weighted average interest rate	Less than 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amounts
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2024	**7.75**	**20,493**	**–**	**–**	**20,493**	**20,000**
At 31 December 2023	9.22	30,258	–	–	30,258	30,000

FAIR VALUE

The carrying amounts of the financial assets and financial liabilities carried at amortised cost in the consolidated financial statements approximate their fair values due to the relative short term maturity of these financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

36. LONG-TERM EMPLOYEE BENEFITS

The Group adopted "Three-Year Loyalty Incentive Scheme" (the "**Loyalty Incentive Scheme**") and Conversion Scheme on 26 November 2014 for the purpose of enhancing the stability and the sense of belonging of the selected employees.

LOYALTY INCENTIVE SCHEME

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

During the years ended 31 December 2024 and 2023, the Group did not recognise any expense in relation to the Incentive Bonus granted under the Loyalty Incentive Scheme.

CONVERSION SCHEME

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

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

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

During the year ended 31 December 2018, the Conversion Scheme is replaced by the share option scheme as detailed in note 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

37. SHARE-BASED PAYMENT TRANSACTIONS

EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY

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

On 15 June 2018, the Company implemented a settlement plan in relation to the Conversion Scheme (the "**Settlement Plan**") as further detailed in "History, Development and Reorganisation" in the Prospectus. Pursuant to the Settlement Plan: (i) the Conversion Scheme was terminated and replaced by the Share Option Scheme; (ii) the entitlement of dividend rights and shares of 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 31 December 2024, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was nil (2023: 28,694,400), representing nil (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 Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

37. 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 year:

Date of grant	Exercise price	Exercise period	Outstanding at 1 January 2023	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2023	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2024
	HK$							(Note)	
5 July 2018	0.44	05/07/2018-30/06/2024	5,592,840	–	–	5,592,840	–	(5,592,840)	–
		05/07/2019-30/06/2024	5,592,840	–	–	5,592,840	–	(5,592,840)	–
		05/07/2020-30/06/2024	5,739,360	–	–	5,739,360	–	(5,739,360)	–
		05/07/2021-30/06/2024	5,884,680	–	–	5,884,680	–	(5,884,680)	–
		05/07/2022-30/06/2024	5,884,680	–	–	5,884,680	–	(5,884,680)	–
			28,694,400	–	–	28,694,400	–	(28,694,400)	–
Exercisable at the end of the year			28,694,400			28,694,400			–
Weighted average exercise price			HK$0.44	HK$0.44	HK$0.44	HK$0.44	HK$0.44	HK$0.44	–

Note: These options has been expired as at 30 June 2024. Such options have forfeited during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

38. RETIREMENT BENEFITS SCHEME

The employees of the Company's subsidiaries in Hong Kong participate in the MPF Scheme established under the Mandatory Provident Fund Schemes Ordinance. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee. All employees in Hong Kong joining the Group are required to join the MPF Scheme.

Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income capped at HK$1,500 per month. The retirement benefit costs charged to profit or loss represent contributions payable to such fund by the Group at rates specified in the rules of this scheme.

The employees of the Company's subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their employees' payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

At 31 December 2024, there were no (2023: no) forfeited contributions available to offset future employers' contributions to the schemes.

The total expense recognised in profit or loss for the year ended 31 December 2024 of HK$17,640,000 (2023: HK$19,237,000) represents contributions paid or payable to the above schemes by the Group.

39. PARTICULARS OF THE SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2024 and 2023 are as follows:

Name of subsidiaries	Place of incorporation or establishment/ operations	Issued and fully paid capital/ registered capital	2024	2023	Principal activities
Direct subsidiary:					
SLD Group Holdings Limited	BVI	US$1	100%	100%	Investment holding
Indirect subsidiaries:					
SLDL	Hong Kong	HK$100	100%	100%	Provision of interior design services, interior decorating and furnishing design services and product design services
梁志天設計諮詢(深圳)有限公司 Steve Leung Designers (Shenzhen) Limited (Notes (i) & (ii))	the PRC	HK$1,000,000	100%	100%	Provision of interior design services, interior decorating and furnishing design services and product design services
梁志天室內設計(北京)有限公司 Steve Leung Designers (Beijing) Limited (Notes (i) & (ii))	the PRC	RMB2,000,000	100%	100%	Provision of interior design services, interior decorating and furnishing design services and product design services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

39. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation or establishment/ operations	Issued and fully paid capital/ registered capital	2024	2023	Principal activities
北京江河創建建築裝飾設計研究院有限公司 Beijing Jangho Institute of Architectural Decoration Design and Research Co., Ltd. (Notes (i) & (iii))	the PRC	RMB10,000,000	80%	80%	Provision of interior design services, interior decorating and furnishing design services and product design services and trading of interior decorating products
梁志天生活藝術(深圳)有限公司 Steve Leung Lifestyle (Shenzhen) Limited (Notes (i) & (ii))	the PRC	RMB700,000	100%	100%	Provision of interior decorating and furnishing design services and trading of interior decorating products
Steve Leung & Yoo Limited	Hong Kong	HK$1	100%	100%	Inactive
Steve Leung Architects Limited	Hong Kong	HK$100	100%	100%	Inactive
Steve Leung Exchange Limited	Hong Kong	HK$100	100%	100%	Provision of interior design services
Steve Leung Hospitality Limited	Hong Kong	HK$100	100%	100%	Provision of interior design services
Everyday Living Limited	Hong Kong	HK$100	100%	100%	Trading of interior decorative products
天天生活(廣州)貿易有限公司 Everyday Living (Guangzhou) Trading Limited (Notes (i) & (ii))	the PRC	RMB1,000,000	100%	100%	Trading of interior decorative products
Steve Leung Lifestyle Limited	Hong Kong	HK$100	100%	100%	Provision of interior decorating and furnishing design services and trading of interior decorative products
港源室內設計(天津)有限公司 Guangyuan Designers (Tianjin) Limited (Notes (i) & (iii))	the PRC	RMB700,000	80%	80%	Provision of interior design services and interior decorating and furnishing design services and trading of interior decorative products
Steve Leung Casa Limited	Hong Kong	HK$100	100%	100%	Provision of interior design services and interior decorating and furnishing design services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

39. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation or establishment/ operations	Issued and fully paid capital/ registered capital	2024	2023	Principal activities
SLD & Andrea Bonini Designers (Hong Kong) Limited	Hong Kong	HK$100	51%	–	Provision of interior design services
Steve Leung Designers (Tianjin) Limited	Hong Kong	HK$100	100%	100%	Investment holding
梁志天裝飾設計(天津)有限公司 Steve Leung Lifestyle (Tianjin) Co., Ltd. (Notes (i) & (ii))	the PRC	RMB700,000	100%	100%	Provision of interior design services, interior decorating and furnishing services and product design services
梁志天私宅設計(天津)有限公司 Steve Leung Casa (Tianjin) Co., Ltd. (Notes (i) & (ii))	the PRC	RMB700,000	100%	100%	Provision of interior design services and interior decorating and furnishing design services
梁志天室內設計(天津)有限公司 Steve Leung Designers (Tianjin) Co., Ltd. (Notes (i) & (ii))	the PRC	RMB700,000	100%	100%	Provision of interior design services, interior decorating and furnishing services and product design services
Steve Leung Wellness Design Limited	Hong Kong	HK$100	100%	100%	Inactive
SL2.0 Designers Limited	Hong Kong	HK$100	100%	100%	Provision of interior design services, interior decorating and furnishing design services and product design services
思路室內設計(天津)有限公司 SL2.0 Designers (Tianjin) Co., Ltd. (Notes (i) & (ii))	the PRC	RMB700,000	100%	100%	Provision of interior design services and interior decorating and furnishing services
梁志天室內設計(深圳)有限公司 Steve Leung Designers (Qianhai) Co., Ltd. (Notes (i) & (ii))	the PRC	RMB700,000	100%	100%	Provision of interior design services, interior decorating and furnishing services, and product design services
梁志天室內設計(廣州)有限公司 Steve Leung Designers (Guangzhou) Co., Ltd. (Notes (i) & (ii))	the PRC	RMB31,764,000	100%	100%	Inactive

39. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Notes:

(i) English translated name is for identification only.

(ii) The Company's subsidiary is a wholly foreign owned enterprise in the PRC.

(iii) The Company's subsidiary is a sino-foreign equity joint venture in the PRC.

None of the subsidiaries had issued any debt securities at the end of the year.

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings	**Lease liabilities**	**Interest payable**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2023	30,000	41,163	–	71,163
Finance costs (note 9)	–	2,058	2,373	4,431
Financing cash flows	–	(22,046)	(2,373)	(24,419)
Non-cash changes				
New lease entered	–	1,400	–	1,400
Termination of a lease	–	(4,719)	–	(4,719)
Modification of the lease	–	27,670	–	27,670
Exchange realignments	–	(260)	–	(260)
At 31 December 2023	**30,000**	**45,266**	**–**	**75,266**
Finance costs (note 9)	**–**	**1,634**	**1,940**	**3,574**
Financing cash flows	**(10,000)**	**(22,699)**	**(1,940)**	**(34,639)**
Non-cash changes				
New lease entered	**–**	**858**	**–**	**858**
Modification of the lease	**–**	**17,026**	**–**	**17,026**
Exchange realignments	**–**	**(390)**	**–**	**(390)**
At 31 December 2024	**20,000**	**41,695**	**–**	**61,695**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

41. CONTINGENT LIABILITIES

During the Year, a vendor filed a lawsuit against a PRC subsidiary of the Group in November 2024 in relation to a contractual dispute involving the provision of constructions drawings services. A sum of approximately RMB450,000 (equivalent to approximately HK$486,000) in a bank account of such PRC subsidiary has been frozen pursuant to a court order in January 2025. This case is currently in the litigation stage. Since the legal proceeding is still at early stages, it is impractical to assess the potential impact to the Group. A contingent liability of approximately RMB450,000 (equivalent to approximately HK$486,000) has been noted up to the date of this annual report.

42. EVENTS AFTER THE REPORTING PERIOD

Except for the matters disclosed in this annual report, there have been no significant events that have impacted the Group up to the date of this annual report.

FINANCIAL SUMMARY

Results	2020 HK$'000	2021 HK$'000	2022 HK$'000	2023 HK$'000	**2024** **HK$'000**
Revenue	432,974	455,035	381,002	355,803	**367,695**
Profit (loss) before taxation	57,686	5,541	(59,726)	(17,285)	**10,281**
Income tax expense	(23,052)	(3,893)	(162)	(2,690)	**(9,075)**
Profit (loss) for the year	34,634	1,648	(59,888)	(19,975)	**1,206**
Profit (loss) for the year attributable to:					
– Owners of the Company	33,531	2,940	(62,441)	(18,841)	**1,805**
– Non-controlling interests	1,103	(1,292)	2,553	(1,134)	**(599)**
	34,634	1,648	(59,888)	(19,975)	**1,206**

	2020	2021	2022	2023	**2024**
Earnings (loss) per share – basic (expressed in Hong Kong cents)	2.94	0.26	(5.47)	(1.65)	**0.16**

Assets and liabilities	2020 HK$'000	2021 HK$'000	2022 HK$'000	2023 HK$'000	**2024** **HK$'000**
Total assets	710,047	649,842	523,083	497,855	**497,354**
Total liabilities	(210,186)	(171,958)	(183,878)	(181,797)	**(183,295)**
Net assets	499,861	477,884	339,205	316,058	**314,059**
Equity attributable to:					
– Owners of the Company	487,801	466,916	326,421	304,538	**303,273**
– Non-controlling interests	12,060	10,968	12,784	11,520	**10,786**
Total equity	499,861	477,884	339,205	316,058	**314,059**