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STEVE LEUNG DESIGN GROUP LIMITED

梁志天設計集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2262)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

	For the six months period ended 30 June		% Change
	2018 (Unaudited)	2017 (Unaudited)	
Results:			
Profit for the period (HK\$'million)	25.2	20.7	21.7%
Financial Information Per Share:			
Earnings-basic (HK Cents) ^(Note)	2.92	2.39	22.2%
Net assets (HK\$) (Net assets/number of issued ordinary shares of the Company) ^(Note)	0.27	0.24	12.5%

Bank Balances and Cash:

As at 30 June 2018, the Group had bank balances and cash of approximately HK\$85.6 million.

Interim Dividend:

The Board does not recommend the payment of an interim dividend for the six months period ended 30 June 2018.

Note: On the basis of 855,000,000 Shares in issue as at 30 June 2018.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of STEVE LEUNG DESIGN GROUP LIMITED 梁志天設計集團有限公司 (the “**Company**”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months period ended 30 June 2018 (the “**Period**”) together with the unaudited comparative figures for the corresponding six months period ended 30 June 2017 (the “**Previous Period**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

I. GENERAL AND BASIS OF PREPARATION

Steve Leung Design Group Limited (the “**Company**”) was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 9 December 2016 and its shares were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 5 July 2018 (the “**Listing Date**”). The Company’s immediate holding company is Eagle Vision Development Limited, a limited liability company incorporated in the British Virgin Islands, whereas the directors of the Company consider that the Company’s ultimate holding company is Jangho Group Co., Ltd., a company incorporated in the People’s Republic of China (the “**PRC**”) with its shares listed on the Shanghai Stock Exchange.

Pursuant to the reorganisation as set out in the section headed “History, Development and Reorganisation” in the prospectus of the Company dated 22 June 2018 (the “**Prospectus**”), the Company and SLD Group Holdings Limited, a direct wholly-owned subsidiary of the Company, were interspersed between Steve Leung Designers Limited (“**SLDL**”) and its shareholders on 21 April 2017 by allotment and issue of shares in the Company. After that the Company became the holding company of the companies now comprising the Group. The Group comprising the Company and its subsidiaries resulting from this reorganisation is regarded as a continuing entity.

The condensed consolidated statement of profit or loss and other comprehensive income of the Group which include the results comprising the Group for the six months period ended 30 June 2017 have been prepared as if the Company had always been the holding company of the companies now comprising the Group and the current group structure had been in existence throughout the period, or since their respective dates of incorporation or establishment, where it is a shorter period.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months period ended 30 June 2018 are the same as those followed in the preparation of the accountants’ report in the Prospectus.

Application of new and amendments to HKFRSs and Interpretation

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 cycle
Amendments to HKAS 40	Transfers of Investment Property

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

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

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

The Group recognises revenue from the following major sources:

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

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any differences at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

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

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

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

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

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

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

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

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

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

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

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

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

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

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (provision of design service 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.

2.1.2 Summary of effects arising from initial application of HKFRS 15

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

	Notes	Carrying amounts previously reported as at 31 December 2017 HK\$'000	Reclassification HK\$'000	Carrying amounts under HKFRS 15 as at 1 January 2018* HK\$'000
Current Assets				
Trade receivables	(a)	49,044	55,366	104,410
Contract assets	(a)	–	55,005	55,005
Amounts due from customers for contract works	(a)	110,371	(110,371)	–
Current Liabilities				
Other payables and accrued charges	(b)	84,378	(12,331)	72,047
Amounts due to customers for contract works	(a)	5,334	(5,334)	–
Contract liabilities	(a)(b)	–	17,665	17,665

* The Group recognised the cumulative effect of initially applying HKFRS 15 as a reclassification to the opening balance as at 1 January 2018. The amount in this column are before the adjustments from the application of HKFRS 9.

Notes:

- (a) In relation to design service contracts previously accounted for under HKAS 11, the Group continues to apply input method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. HK\$55,005,000 HK\$55,366,000 and HK\$5,334,000 of amounts due from/to customers for contract work were reclassified to contract assets, trade receivables and contract liabilities, respectively.
- (b) At the date of initial application, included in other payables and accrued charges are deposits received from customers for contract work amounted to HK\$12,231,000 and advances received from customers for contract work amounted to HK\$100,000. These balances were reclassified to contract liabilities upon application of HKFRS 15.

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018. The application of HKFRS 15 has no material impact on the Group's condensed consolidated statement of profit or loss and other comprehensive income. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	As reported HK\$'000	Reclassification HK\$'000	Amounts without application of HKFRS 15 HK\$'000
Current Assets			
Trade receivables	125,227	(52,221)	73,006
Contract assets	76,885	(76,885)	–
Amounts due from customers for contract works	–	129,106	129,106

	As reported HK\$'000	Reclassification HK\$'000	Amounts without application of HKFRS 15 HK\$'000
Current Liabilities			
Other payables and accrued charges	52,240	24,330	76,570
Contract liabilities	31,290	(31,290)	–
Amounts due to customers for contract works	–	6,960	6,960
	<u>–</u>	<u>6,960</u>	<u>6,960</u>

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and other items (for example, contract assets) and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018, if any, are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

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

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

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

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

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

Impairment under ECL model

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

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

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

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

Significant increase in credit risk

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

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

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

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

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

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

Measurement and recognition of ECL

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

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

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

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

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

2.2.2 Summary of effects arising from initial application of HKFRS 9

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and ageing categories. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, and bank balances and cash, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, no additional credit loss allowance has been recognised against retained profits.

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

3. REVENUE AND SEGMENT INFORMATION

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

An analysis of the Group's revenue for the six months period ended 30 June 2018 and 30 June 2017 are as follows:

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

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

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

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

Disaggregation of revenue

	Six months period ended 30 June 2018 (unaudited)			
	Interior design services HK\$'000	Interior decorating and furnishing services HK\$'000	Product design services HK\$'000	Total HK\$'000
Geographical markets				
Hong Kong	24,896	1,261	–	26,157
PRC	142,734	34,116	1,351	178,201
Other regions	17,217	615	1,304	19,136
	<u>184,847</u>	<u>35,992</u>	<u>2,655</u>	<u>223,494</u>
Timing of revenue recognition				
Over time				
Service revenue	184,847	9,215	1,668	195,730
At point in time				
License fee revenue	–	–	987	987
Trading income	–	26,777	–	26,777
	<u>–</u>	<u>26,777</u>	<u>987</u>	<u>27,764</u>
	<u>184,847</u>	<u>35,992</u>	<u>2,655</u>	<u>223,494</u>

Segment information about the Group's reportable and operating segments is presented below.

Segment revenue and results

	Interior design services HK\$'000	Interior decorating and furnishing services HK\$'000	Products design services HK\$'000	Total HK\$'000
For the six months period ended 30 June 2018 (unaudited)				
<i>Revenue</i>				
Segment revenue from external customers	<u>184,847</u>	<u>35,992</u>	<u>2,655</u>	<u>223,494</u>
<i>Results</i>				
Segment results	<u>39,408</u>	<u>6,065</u>	<u>903</u>	46,376
Unallocated income				7
Interest income				239
Depreciation of certain property, plant and equipment				(1,217)
Loss on disposals of property, plant and equipment				(200)
Listing expenses				<u>(6,895)</u>
Profit before taxation				<u>38,310</u>
For the six months period ended 30 June 2017 (unaudited)				
<i>Revenue</i>				
Segment revenue from external customers	<u>157,723</u>	<u>18,114</u>	<u>1,736</u>	<u>177,573</u>
<i>Results</i>				
Segment results	<u>32,375</u>	<u>3,329</u>	<u>620</u>	36,324
Unallocated expenses				(592)
Interest income				195
Depreciation of certain property, plant and equipment				(1,251)
Loss on disposals of property, plant and equipment				(13)
Listing expenses				<u>(3,811)</u>
Profit before taxation				<u>30,852</u>

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

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

4. INCOME TAX EXPENSE

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

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

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

The two-tiered profits tax rates regime will be applicable to SLDL for its annual reporting periods beginning on or after 1 April 2018.

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

The EIT Law requires withholding tax to be levied on distribution of profits earned by PRC entities for profits generated after 1 January 2008 at rate of 5% for Hong Kong resident companies, which are the beneficial owners of the dividend received.

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

5. PROFIT FOR THE PERIOD

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

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

6. DIVIDEND

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

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

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$24,939,000 (six months ended 30 June 2017: HK\$20,402,000) and on 855,000,000 shares (six months ended 30 June 2017: 855,000,000 shares) on assumption that the reorganisation and the capitalisation issue (as defined and detailed in “Events After the Reporting Period” section) had been effective on 1 January 2017.

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

8. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

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

9. TRADE RECEIVABLES

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

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

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

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

As at 30 June 2018, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$125,227,000 (31 December 2017: HK\$49,044,000), which are past due but not impaired at the end of the reporting period for which the Group has not provided for impairment loss. The directors of the Company are of the opinion that there has not been a significant change in credit quality and the balances were still considered fully recoverable due to the long-term/on-going relationship and good repayment record from these customers.

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

Movement in the allowance for doubtful debts

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

10. CONTRACT ASSETS (LIABILITIES)

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

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

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

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

11. TRADE PAYABLES

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

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

12. BANK BORROWINGS

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

13. SHARE CAPITAL

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

Share capital of the Group as at 31 December 2017 (audited) and 30 June 2018 (unaudited) represents share capital of the Company.

	Number of shares		
	Authorised	Issued and fully paid	<i>HK\$</i>
Ordinary share of the Company of HK\$0.01 each			
At 1 January 2017	39,000,000	100	1
Issued on 21 April 2017 for acquisition of SLDL	–	900	9
	<u>39,000,000</u>	<u>1,000</u>	<u>10</u>

14. PLEDGE OF ASSETS

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

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

15. CAPITAL COMMITMENTS

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Capital expenditures in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<u>2,622</u>	<u>6,222</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the Period, with the strong client base within our largest interior design services segment, the Group has continuously expanded our core business as well as interior decorating and furnishing services and product design services.

Overall Performance

The Group has recorded consolidated revenue of approximately HK\$223.5 million during the Period (Previous Period: HK\$177.6 million), with a gross profit of approximately HK\$107.6 million (Previous Period : HK\$90.2 million) and gross profit margin of approximately 48.1% (Previous Period: 50.8%).

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

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

Market Review

Interior design and decorating services review

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

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

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

Business Review

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

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

Interior Design Services

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

Interior Decorating and Furnishing Services

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

Product Design Services

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

Prospects

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

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

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

Financial Review

Revenue and Gross Profit

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

The Group's gross profit increased by HK\$17.4 million or 19.3% to HK\$107.6 million (Previous Period: HK\$90.2 million), while gross profit margin slightly decreased to 48.1% (Previous Period: 50.8%). The decline was primarily due to an increase in average salaries and continuing rise in contributions from the interior decorating and furnishing services segment. The interior decorating and furnishing services segment consist of the provision of interior design services and trading of interior decorative products, both of which are currently under development. The gross profit margin of trading of interior decorative products is, however, usually lower than service income. Therefore, the change in revenue mix during the Period further contributed to the decline in gross profit margin.

Other gains and losses

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

Other income

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

Administrative expenses

The Group recorded a 25.7% increase of administrative expenses from HK\$53.7 million to HK\$67.5 million. Other than the increase in the average salaries of the Group, as a result of our expansion strategy, the increase in administrative expenses were also due to the increase in rental expenses during the Period.

Finance costs

The finance costs are arising from the bank borrowings for financing our equity capital raising expenses. The increase in finance costs was due to the increase in average bank borrowings during the Period.

Profit for the Period

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

Outlook and plans

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

In addition, the Group will continue to leverage the strong experience of its management and designers in the second half of its fiscal year to carry the strong growth of the past so as to deliver sustainable returns for shareholders.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and Financial Resources

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

As at 30 June 2018, the Group's total debt (representing total interest-bearing borrowings) to total asset ratio was approximately 5.5% (as at 31 December 2017: 2.1%). The gearing ratio (net debt to equity attributable to owners of the Company) was approximately 9.0% (as at 31 December 2017: approximately 4.0%) as the Group has net cash (bank balances and cash less total debt) of approximately HK\$65.6 million as at 30 June 2018 (as at 31 December 2017: net cash approximately HK\$147.9 million).

The bank borrowings of the Group were mainly contributed by the bank borrowings for financing our equity capital raising expenses. The borrowings of approximately HK\$20 million were secured by floating charge over all receivables of certain subsidiaries, with one year term from draw down date and repayable in January 2019 which will be repaid by the net proceeds from the Global Offering as stated in the Prospectus. Further costs for operations and expansion will be partially financed by our unutilised bank facilities.

The liquidity of the Group maintained strong and healthy as the current ratio (current assets/current liabilities) of the Group as at 30 June 2018 was 2.4 (as at 31 December 2017: 2.0). The Group also has sufficient committed and unutilised loan and working capital facility and guarantee facilities to meet the needs of the Group's business development. The Group will cautiously seek development opportunities with a view to balancing the risk and opportunity in maximising shareholders' value.

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

Pledge of Assets

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

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

Contingent Liabilities and Capital Commitments

The Group did not have any significant contingent liabilities as at the end of the Period. For capital commitments, please refer to note 15 to the condensed consolidated interim financial statements.

Exposure to Fluctuations in Exchange Rates and Interest Rates and Corresponding Hedging Arrangement

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

Credit Risk Exposure

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

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

Risk Management

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

Events After the Reporting Period

The followings events took place subsequent to 30 June 2018:

- (i) Pursuant to the resolution of the shareholders of the Company passed on 11 June 2018, the Company allotted and issued a total of 854,999,000 shares, credited as fully paid at par, on the Listing Date by way of capitalisation of the sum of HK\$8,549,990 standing to the credit of the share premium account of the Company (the “**Capitalisation Issue**”). This Capitalisation Issue was conditional on the share premium account being credited as a result of the issue of new shares to the public in connection with the Company’s initial public offering as detailed in note (ii) below.
- (ii) In connection with the listing of the Company’s shares on the Stock Exchange, 285,000,000 new shares were issued at a price of HK\$0.88 per share for a total cash consideration, before expenses, of HK\$250,800,000. Dealings in the shares on the Stock Exchange commenced on the Listing Date.
- (iii) Pursuant to the settlement plan in relation to the Conversion Scheme as set out in “History, Development and Reorganisation” in the Prospectus: (i) the Conversion Scheme was terminated and replaced by the Pre-IPO Share Option Scheme; (ii) the entitlement of dividend rights and shares of SLDL of the eligible participant under the Conversion Scheme was replaced by the Pre-IPO Share Options granted to them; and (iii) all the rights, benefits and claims of the eligible participant under the Conversion Scheme were terminated on the Listing Date. The Pre-IPO Share Options are issued at a fair value that is broadly consistent with the fair value of the Conversion Scheme determined at replacement date. The Group is in the process of assessing the financial impact.

Employees and Remuneration Policies

As at 30 June 2018, the Group had approximately 570 (as at 30 June 2017: 487) full-time employees. The total remuneration of the employees (including the Directors’ remuneration) were approximately HK\$69.6 million for the Period (Previous Period: HK\$57.3 million). The increase in total remuneration of the employees was mainly due to the increase in number of the employees and average salaries of our staffs. The Group offers attractive remuneration policy, discretionary bonus and share options will also be granted to eligible staff based on individual performance in recognition of their contribution and hard work. The Group also provides external training programmes which are complementary to certain job functions.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

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

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

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

CORPORATE GOVERNANCE

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

The Company has adopted and applied the principles and code provisions set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The Board confirms that the Company has complied with the mandatory code provisions in the Code since the Listing Date and up to the date of this announcement. The Board will review and monitor the practices of the Company for the purpose of complying with the Code and maintaining a high standard of corporate governance practices of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code for securities transactions by directors and employees (the "**Securities Code**") with standards no less exacting than that of the model code set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Having made specific enquiries, all Directors and relevant employees of the Group confirmed that they have complied with the Securities Code and the Model Code since the Listing Date and up to the date of this announcement.

USE OF PROCEEDS

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

AUDIT COMMITTEE REVIEW

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

The Company's audit committee, which comprises all of the three independent non-executive directors, namely Mr. Tsang, Ho Ka, Eugene (Chairman of the Audit Committee), Mr. Liu Yi and Mr. Sun Yansheng, has reviewed and discussed with the management for the Group's interim results for the period and examined the condensed consolidated interim financial statements for the six months ended 30 June 2018 which has not been audited yet. Members of the Audit Committee agree with the accounting treatments adopted in the preparation of the condensed consolidated financial statements.

PUBLICATION OF INTERIM RESULT ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is available for reviewing on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.sldgroup.com>) and the interim report for the six months ended 30 June 2018 of the Company containing also the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our shareholders, business partners and other professional parties for your support. I would also like to thank our staffs for their continued commitment to the Group over these busy periods.

By Order of the Board
Steve Leung Design Group Limited
梁志天設計集團有限公司
Xu Xingli
Chairman

Hong Kong, 28 August 2018

As at the date of this announcement, our executive Directors are Mr. Siu Man Hei (Chief Executive Officer), Mr. Yip Kwok Hung Kevin (Chief Financial Officer), Mr. Ding Chunya, Ms. Kau Wai Fun, our non-executive Directors are Mr. Xu Xingli (Chairman) and Mr. Xie Jianyu, and our independent non-executive Directors are Mr. Tsang Ho Ka Eugene, Mr. Liu Yi and Mr. Sun Yansheng.