



INTERIM REPORT
中期報告

2017

AL GROUP LIMITED
利駿集團(香港)有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 8360

AL Group

TM

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This report, for which the directors (the “Directors”) of AL Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company and its subsidiaries (together, the “Group”). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

The Group's business was established since 1999 under the name of AL Design, which is a well-established interior design and fit out solutions provider in Hong Kong. The Group believes that its success is firmly rooted in its extensive experience and portfolio in interior design and fit out works as well as project management. The Group's services can be broadly categorized as (i) design and fit out and (ii) design only. In addition, the Group also provides maintenance and aftersales services which could cater for its customers' different requirements.

Excluding projects relating to maintenance and aftersales service, during the six months ended 30 June 2017, the total revenue increased by approximately 28.6% and the number of projects increased by 86.7% over 2016. The average revenue per project decreased by approximately 30.4% from 2016 to approximately HK\$1.6 million, mainly attributable to the fact that more relatively smaller projects (with project revenue less than HK\$1 million) were completed or on-going in 2017 when compared to the same period in 2016.

The tables below summarized the number of on-going and completed projects and revenue, by type of service and customer, and the average revenue per project during the six months ended 30 June 2017 respectively and their comparative figures:

In terms of number of Projects*

	For the six months ended 30 June		
	2017	2016	Change
Design and fit out/Design only			
Office	21	12	75.0%
Commercial	1	1	0.0%
Residential	6	2	200.0%
Total	28	15	86.7%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In terms of Revenue*

In HK\$' million	For the six months ended 30 June		
	2017	2016	Change
Design and fit out/Design only			
Office	34.1	25.5	33.7%
Commercial	4.6	4.2	9.5%
Residential	5.4	4.6	17.4%
Total	44.1	34.3	28.6%

Average Revenue per Project*

In HK\$' million	For the six months ended 30 June		
	2017	2016	Change
Revenue	44.1	34.3	28.6%
Number of projects	28	15	86.7%
Average revenue per project	1.6	2.3	(30.4%)

* excluding those relating to maintenance and aftersales service

The Group continued to be awarded projects in 2017 by existing and new customers who valued the Group's reputation, proven track record and experience in the industry. The Group has a number of projects in the pipeline that were built up since 2015 and 2016 which will come online and contribute to the total revenue in the second half of 2017 and beyond. As at the date of this report, our Group has secured project contracts with total contract sum of over HK\$42.5 million, for some of which work will commence in the third quarter of 2017.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Financial Overview

In HK\$' million	For the six months ended 30 June		
	2017	2016	Change
Revenue	45.0	35.1	28.2%
Gross Profit (Note 1)	13.1	7.2	81.9%
Gross Profit Margin	29.1%	20.6%	41.3%
EBITDA (Note 2) before listing expenses (2017: nil)	1.6	(0.4)	n/a
Net Profit/(Loss) before listing expenses	0.7	(0.5)	n/a
Net Profit/(Loss) after listing expenses	0.7	(13.7)	n/a

Note 1: The Group's gross profit represents revenue less subcontracting and material costs.

Note 2: The Group's EBITDA represents earnings before income tax and depreciation of property, plant and equipment. While EBITDA is commonly used in the interior design industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with Hong Kong Financial Reporting Standards and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly-titled measures of other companies.

For the six months ended 30 June 2017, the Group's revenue increased significantly when compared to the same period in 2016. The Group's revenue amounted to approximately HK\$45.0 million, representing an increase of approximately 28.2% from the same period in 2016.

The Group's gross profit for the six months ended 30 June 2017 amounted to approximately HK\$13.1 million, representing a significant increase of approximately 81.9% over the same period in 2016. Gross profit margin increased from approximately 20.6% to approximately 29.1%, which was mainly due to the four design-only projects (which earned a high profit margin) commenced during the six months ended 30 June 2017, while there was no design-only project for the same period in 2016, and that during the same period in 2016, special discounts were given to two projects to enable the Group to gain new customer reference from the government sector and the luxury consumer products sector.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's total operating expenses (Note 3) for the six months ended 30 June 2017 were approximately HK\$12.4 million when compared to approximately HK\$7.4 million for the same period in 2016 (excluding one-time listing expenses of approximately HK\$13.2 million). The increase in total operating expenses was mainly due to that upon the successful listing of the Group in July 2016, the Group's staff costs have increased due to expansion of work force, while fees paid to professional parties have also increased due to compliance and advisory services required for a publicly-traded company.

Note 3: The Group's total operating expenses represented the aggregate of employee benefit expenses, rental expenses and other expenses as shown in the consolidated statement of comprehensive income.

For the six months ended 30 June 2017, the Group's EBITDA (before listing expenses) amounted to approximately HK\$1.6 million as compared to a loss of approximately HK\$0.4 million for the same period in 2016. The Group's net profit (before listing expenses) increased to approximately HK\$0.7 million for the six months ended 30 June 2017 when compared to a net loss (before listing expenses) of approximately HK\$0.5 million for the same period in 2016. The improved EBITDA and net profit during the six months ended 30 June 2017 was mainly due to the increased business thanked to the expanded work teams in our sales and marketing, design and project management departments.

Liquidity, Financial Resources and Capital Structure

The Group practiced prudent financial management and maintained a strong and sound financial position during the six months ended 30 June 2017. As of 30 June 2017, the Group had cash and cash equivalents of approximately HK\$82.2 million (31 December 2016: approximately HK\$66.0 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 3.4 times as at 30 June 2017 (31 December 2016: approximately 4.6 times).

As at 30 June 2017, the Group did not have any outstanding borrowing (hence no gearing ratio of the Group was presented), other indebtedness, pledge of assets and did not have any utilized or unutilized bank facilities (31 December 2016: Nil). There was no finance cost incurred during the six months ended 30 June 2017.

The Company's capital comprises ordinary shares and capital reserves. The Group finances its working capital requirements through a combination our cash and cash equivalents and cash flows generated from operations.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Foreign Exchange Exposure

The Group is not exposed to any significant foreign exchange risk as the majority of our business transactions are denominated in Hong Kong Dollar, the functional currency of our Group and there were only insignificant balances of financial assets that were denominated in foreign currency as at 30 June 2017.

The Group does not have a foreign currency hedging policy and will continue to monitor its foreign exchange exposure. The Group will consider hedging significant foreign currency exposure should the need arises.

Contingent Liabilities and Capital Commitments

The Group did not have any significant contingent liabilities and capital commitments as at 30 June 2017 (31 December 2016: Nil).

Interim Dividend

The board of the Directors of the Company (the "Board") does not declare any interim dividend for the six months ended 30 June 2017 (2016: Nil).

Future Plans for Material Investment and Capital Assets

The Group did not have any other plans for material investment and capital assets as at 30 June 2017.

Significant Investments Held

Save for investment in equity securities listed in Hong Kong (available-for-sale financial assets), as at 30 June 2017, the Group did not have any investment in equity interest in any other company and did not own any properties (31 December 2016: Nil).

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2017.

Employees and Remuneration Policies

As at 30 June 2017, the Group had 36 employees (31 December 2016: 36 employees, 30 June 2016: 30 employees), including the Directors and one part-time employee. Total staff costs (including Directors' emoluments) were approximately HK\$7.6 million for the six months ended 30 June 2017 as compared to approximately HK\$4.9 million for the six months ended 30 June 2016.

Remuneration is determined with reference to qualifications, duties, contributions and years of experience and performance of individual employees.

In addition to salaries, our remuneration to employees also include Mandatory provident fund scheme, medical insurance coverage and discretionary bonuses. Level of remuneration is reviewed annually.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

TO THE BOARD OF DIRECTORS OF AL GROUP LIMITED

(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 10 to 33, which comprises the interim condensed consolidated balance sheet of AL Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2017 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 14 August 2017

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 30 June		Six months ended 30 June	
		2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
Revenue	6	26,759,021	16,555,287	44,961,138	35,123,723
Other income	7	101,340	—	137,336	33,420
Other gains/(losses)	8	4,423	(13,377)	(2,430)	(297,692)
Subcontracting and materials costs		(20,231,982)	(13,041,224)	(31,861,531)	(27,895,184)
Employee benefit expenses		(3,805,036)	(2,638,901)	(7,582,513)	(4,888,000)
Rental expenses		(469,846)	(317,677)	(979,346)	(594,322)
Listing expenses		—	(1,341,193)	—	(13,207,777)
Other expenses	9	(2,032,829)	(1,327,304)	(3,828,176)	(1,943,109)
Operating profit/(loss)		325,091	(2,124,389)	844,478	(13,668,941)
Finance income	10	110,718	305	207,305	2,848
Profit/(loss) before income tax		435,809	(2,124,084)	1,051,783	(13,666,093)
Income tax (expense)/credit	11	(212,058)	53,563	(392,350)	—
Profit/(loss) for the period attributable to owners of the Company		223,751	(2,070,521)	659,433	(13,666,093)
Other comprehensive income for the period, net of tax					
Items that may be reclassified to profit or loss:					
Fair value gains on available-for- sale financial assets		212,542	—	235,793	—
Other comprehensive income for the period, net of tax		212,542	—	235,793	—
Total comprehensive income/(loss) for the period attributable to owners of the Company		436,293	(2,070,521)	895,226	(13,666,093)
Basic and diluted earnings/(loss) per share attributable to owners of the Company (expressed in Hong Kong cents per share)	13	0.05	(0.58)	0.14	(3.80)

The notes on pages 15 to 33 form an integral part of this interim consolidated financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2017 HK\$ (Unaudited)	31 December 2016 HK\$ (Audited)
ASSETS			
Non-current assets			
Available-for-sale financial assets		1,650,608	1,378,464
Property, plant and equipment	14	3,391,242	3,807,406
Rental deposits	15	317,200	317,200
		5,359,050	5,503,070
Current assets			
Trade and other receivables	15	24,681,022	24,731,551
Amounts due from customers for contract work	16	6,613,114	9,557,669
Prepaid income tax		1,810,493	2,236,605
Cash and bank balances		82,213,479	66,046,905
		115,318,108	102,572,730
Total assets		120,677,158	108,075,800
EQUITY			
Equity attributable to the owners of the Company			
Share capital	17	4,800,000	4,800,000
Share premium	17	65,336,977	65,336,977
Other reserve		5,921,989	5,921,989
Available-for-sale financial assets revaluation reserve		257,874	22,081
Retained earnings		10,373,433	9,714,000
Total equity		86,690,273	85,795,047

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Notes	30 June 2017 HK\$ (Unaudited)	31 December 2016 HK\$ (Audited)
LIABILITIES			
Current liabilities			
Trade and other payables	18	22,607,111	21,625,125
Amounts due to customers for contract work	16	11,293,708	535,800
Deferred income tax liabilities		86,066	119,828
Total liabilities		33,986,885	22,280,753
Total equity and total liabilities		120,677,158	108,075,800

The notes on pages 15 to 33 form an integral part of this interim consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserve	Available-for-sale financial assets revaluation reserve	Retained earnings	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
As at 1 January 2016	—	—	10,000	—	17,543,137	17,553,137
Comprehensive loss						
Loss for the period	—	—	—	—	(13,666,093)	(13,666,093)
Transaction with owners in their capacity as owners						
Issuance of shares pursuant to a group reorganisation	1	—	5,911,989	—	—	5,911,990
As at 30 June 2016	1	—	5,921,989	—	3,877,044	9,799,034
As at 1 January 2017	4,800,000	65,336,977	5,921,989	22,081	9,714,000	85,795,047
Comprehensive income						
Profit for the period	—	—	—	—	659,433	659,433
Other comprehensive income						
Fair value gains on available-for-sale financial assets	—	—	—	235,793	—	235,793
Total other comprehensive income, net of tax	—	—	—	235,793	—	235,793
Total comprehensive income	—	—	—	235,793	659,433	895,226
As at 30 June 2017	4,800,000	65,336,977	5,921,989	257,874	10,373,433	86,690,273

The notes on pages 15 to 33 form an integral part of this interim consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Six months ended 30 June	
		2017	2016
		HK\$	HK\$
Note		(Unaudited)	(Unaudited)
Cash flows from operating activities			
	Net cash generated from/(used in) operations	16,265,985	(7,171,439)
	Income tax paid	—	(291,342)
Net cash generated from/(used in) operating activities		16,265,985	(7,462,781)
Cash flow from investing activities			
	Purchase of property, plant and equipment	(137,155)	(1,332,079)
	Decrease in bank deposits maturing beyond 3 months	10,000,000	—
	Interest received	37,744	2,848
	Net cash generated from/(used in) investing activities	9,900,589	(1,329,231)
Cash flows from financing activities			
	Decrease in amounts due from directors	—	1,085,195
	Decrease in amount due to a director	—	(745,899)
	Proceeds from issuance of shares	—	5,911,990
	Payment for listing expenses	—	(2,145,795)
	Net cash generated from financing activities	—	4,105,491
	Net increase/(decrease) in cash and cash equivalents	26,166,574	(4,686,521)
	Cash and cash equivalents at the beginning of period	16,046,905	12,695,225
	Cash and cash equivalents at the end of period	42,213,479	8,008,704
Analysis of the cash and bank balances			
	Cash and cash equivalents	42,213,479	8,008,704
	Bank deposits with a maturity period of over 3 months	40,000,000	—
	Cash and bank balances	82,213,479	8,008,704

The notes on pages 15 to 33 form an integral part of this interim consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

AL Group Limited (the “Company”) was incorporated in the Cayman Islands on 1 February 2016 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of interior design and fit out solutions as well as overall project management in Hong Kong. The ultimate controlling parties of the Company are Mr. Yau Chung Ping (“Mr. Yau”) and Ms. Sz Kit (“Ms. Sz”). The ultimate holding company of the Company is Legend Investments International Limited.

The shares of the Company (the “Share(s)”) were listed on GEM by way of share offer on 12 July 2016.

This condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’ issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the GEM Listing Rules. The condensed consolidated interim financial information should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

New and amended standards adopted by the Group

The following new and amended standards have been adopted by the Group for the first time for the financial period beginning on or after 1 January 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendment to HKFRS 12	Disclosure of interest in other entities

The adoption of the above new or amended standards or interpretations did not have a material impact on the Group's condensed consolidated interim financial information.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other new or amended standards or interpretations that are effective for the first time for this interim period and are relevant to the Group.

Impact of standards issued but not yet adopted by the Group

		Effective for annual periods beginning on or after
HKAS 40 (Amendments)	Investment Property	1 January 2018
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be announced

3 Accounting policies (Continued)

Impact of standards issued but not yet adopted by the Group (Continued)

None of the above is expected to have a significant effect on the Group's consolidated financial statements, except the following:

(i) **HKFRS 9 "Financial instruments"**

HKFRS 9 "Financial instruments" replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

HKFRS 9 also introduces a new model for the recognition of impairment losses — the expected credit losses ("ECL") model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL

Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

3 Accounting policies (Continued)

Impact of standards issued but not yet adopted by the Group (Continued)

(ii) HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 “Revenue from Contracts with Customers” — This new standard replaces the previous revenue standards: HKAS 18 “Revenue” and HKAS 11 “Construction Contracts”, and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach:

- (1) Identify the contract(s) with customer;
- (2) Identify separate performance obligations in a contract;
- (3) Determine the transaction price;
- (4) Allocate transaction price to performance obligations; and
- (5) Recognise revenue when performance obligation is satisfied.

The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an “earnings processes” to an “asset liability” approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. Meanwhile, there will be additional disclosure requirement under HKFRS 15 upon its adoption. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

3 Accounting policies (Continued)

Impact of standards issued but not yet adopted by the Group (Continued)

(iii) HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$1,761,800. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

The Group is in the process of making an assessment of what the impact of these new standards and amendments to existing standards would be in the period of initial application, but not yet in a position to state whether they would have a significant impact to the Group's results and financial position.

4 Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Company's annual financial statements for the year ended 31 December 2016.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

There have been no changes in the risk management policies since the end of the previous reporting period.

5.2 Fair value estimation

The carrying amounts of the Group's financial assets including cash and bank balance, receivables, amounts due from customers for contract work, and financial liabilities including payables, amounts due to customers for contract work approximate their fair values due to their short maturities. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques.

The carrying value of financial instruments measured at fair value at the balance sheet date are categorised among the three levels of the fair value hierarchy defined in HKFRS 13, "Fair value Measurement", with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- (ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

5 Financial risk management (Continued)

5.2 Fair value estimation (Continued)

At 30 June 2017	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Available-for-sale financial assets				
Equity security				
— Listed securities	1,650,608	—	—	1,650,608
<hr/>				
At 31 December 2016	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Available-for-sale financial assets				
Equity security				
— Listed securities	1,378,464	—	—	1,378,464

There were no transfers between levels 1, 2 and 3 during the period.

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments listed on the Hong Kong Stock Exchange classified as available-for-sale financial assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

6 Revenue and segment information

The executive directors of the Company, being the chief operating decision-makers, review the Group's internal reporting in order to assess performance and allocate resources. The Group focuses on provision of design and fit out management services during the period. Information reported to the chief operating decision makers, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Revenue from major services

The Group's revenue from its major services during the period is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
Design	681,000	—	2,944,000	—
Design and fit out	25,517,272	16,194,967	41,187,051	34,356,520
Maintenance and aftersales services	560,749	360,320	830,087	767,203
	26,759,021	16,555,287	44,961,138	35,123,723

Geographical information

The Group's operations are located in Hong Kong.

The Group's geographical segments are classified according to the location of its customers. Segment revenue from external customers by the location of customer during the period is as follows:

Revenue from external customers

	Three months ended 30 June		Six months ended 30 June	
	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
Hong Kong	26,759,021	16,555,287	44,961,138	35,123,723

The Group's five largest customers accounted for approximately 57% (2016: 73%) of the Group's total revenue for the six months ended 30 June 2017.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

7 Other income

	Three months ended 30 June		Six months ended 30 June	
	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
Dividend income on available-for-sale financial assets	19,638	—	55,634	33,420
Sundry income	81,702	—	81,702	—
	101,340	—	137,336	33,420

8 Other gains/(losses)

	Three months ended 30 June		Six months ended 30 June	
	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
Foreign exchange gains/(losses), net	4,423	(7,515)	(2,430)	(12,980)
Impairment losses on available-for-sale financial assets	—	(5,862)	—	(284,712)
	4,423	(13,377)	(2,430)	(297,692)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

9 Other expenses

	Three months ended 30 June		Six months ended 30 June	
	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
Advertisement costs	223,674	23,450	288,018	40,950
Auditor's remuneration	300,000	300,000	600,000	600,000
Building management fee	41,582	26,741	79,274	42,263
Depreciation of property, plant and equipment (Note 14)	280,268	54,614	553,319	83,781
Donation	—	25,000	19,900	36,900
Legal and professional fees	777,237	174,237	1,362,268	193,822
Office relocation expenses	—	137,580	—	137,580
Provision for impairment of trade receivables (Note 15)	52,260	—	52,260	—
Travelling and entertainment	99,008	105,790	348,873	220,976
Written-off of property, plant and equipment (Note 14)	—	201,916	—	201,916
Others	258,800	277,976	524,264	384,921
	2,032,829	1,327,304	3,828,176	1,943,109

10 Finance income

	Three months ended 30 June		Six months ended 30 June	
	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
Interest income on bank deposits	110,718	305	207,305	2,848

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

11 Income tax expense/(credit)

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the six months ended 30 June 2017. The Group is not subject to taxation in the Cayman Islands or the British Virgin Islands.

	Three months ended 30 June		Six months ended 30 June	
	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
Current income tax	245,820	(53,563)	426,112	—
Deferred income tax	(33,762)	—	(33,762)	—
	212,058	(53,563)	392,350	—

12 Dividends

No dividend has been paid or declared by the Company for the six months ended 30 June 2017 (2016: nil).

13 Earnings/(Loss) per share

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period ended 30 June 2016, the weighted average number of ordinary shares in issue were determined as follow:

- (i) the 1 ordinary share of the Company issued on 1 February 2016 (date of incorporation) was treated as if it had been issued since 1 January 2016;
- (ii) the 99 ordinary shares of the Company issued in June 2016 as a result of the reorganisation in preparation for the listing of the Company's shares on GEM of the Stock Exchange were treated as if they have been issued since 1 January 2016;
- (iii) the 359,999,900 ordinary shares of the Company issued on 6 July 2016 under the capitalisation issue were treated as if they have been in issued since 1 January 2016.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

13 Earnings/(Loss) per share (Continued)

(a) Basic (Continued)

	Three months ended 30 June		Six months ended 30 June	
	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
Profit/(loss) attributable to owners of the Company	223,751	(2,070,521)	659,433	(13,666,093)
Weighted average number of ordinary shares in issue (thousands)	480,000	360,000	480,000	360,000
Earnings/(loss) per share (expressed in HK cents per share)	0.05	(0.58)	0.14	(3.80)

For the six months ended 30 June 2017 and 2016, diluted earnings/(loss) per share were equal to basic earnings/(loss) per share as there was no potential dilutive ordinary shares issued.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

14 Property, plant and equipment

	Computer equipment	Leasehold improvements	Office equipment	Furniture	Motor vehicles	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Six months ended						
30 June 2016						
Opening net book amount	55,654	25,726	18,059	17,424	—	116,863
Additions	56,249	557,116	28,622	153,207	536,885	1,332,079
Written-off	—	(201,916)	—	—	—	(201,916)
Depreciation charge	(32,090)	(17,768)	(10,552)	(14,423)	(8,948)	(83,781)
Closing net book amount	79,813	363,158	36,129	156,208	527,937	1,163,245
Six months ended						
30 June 2017						
Opening net book amount	376,698	2,508,330	38,297	179,766	704,315	3,807,406
Additions	25,577	111,578	—	—	—	137,155
Depreciation charge	(76,605)	(369,255)	(8,609)	(20,512)	(78,338)	(553,319)
Closing net book amount	325,670	2,250,653	29,688	159,254	625,977	3,391,242

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

15 Trade and other receivables

	As at 30 June 2017 HK\$ (Unaudited)	As at 31 December 2016 HK\$ (Audited)
Trade receivables	23,084,332	22,791,397
Less: Provision for impairment of trade receivables	(447,039)	(394,779)
Trade receivables, net	22,637,293	22,396,618
Prepayments, deposits and other receivables	2,360,929	2,652,133
Less: non-current portion: rental deposit	24,998,222 (317,200)	25,048,751 (317,200)
Current portion	24,681,022	24,731,551

The carrying amounts of trade receivables are denominated in HK\$.

The Group does not grant credit term to customers. The aging analysis of the Group's trade receivables based on invoice date were as follows:

	As at 30 June 2017 HK\$ (Unaudited)	As at 31 December 2016 HK\$ (Audited)
Overdue		
1–30 days	9,989,560	2,983,494
31–60 days	3,083,526	2,944,126
More than 60 days	9,564,207	16,468,998
	22,637,293	22,396,618

As of 30 June 2017, trade receivables of HK\$22,637,293 (31 December 2016: HK\$22,396,618) were past due but not considered to be impaired because these mainly relate to customers from whom there is no recent history of default. Based on past experience, the directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

15 Trade and other receivables (Continued)

The Group's management closely monitors the credit quality of debtors and considers the debtors that are past due but not impaired to be of a good credit quality. Based on the payment pattern of the customers of the Group, debtors that are past due but not impaired are generally collectible.

16 Amounts due from/(to) customers for contract work

	As at 30 June 2017 HK\$ (Unaudited)	As at 31 December 2016 HK\$ (Audited)
Amounts due from customers for contract work		
Contract costs incurred plus attributable profits		
less foreseeable losses to date	19,019,092	31,793,740
Progress billings received and receivable	(12,405,978)	(22,236,071)
	6,613,114	9,557,669
Amounts due to customers for contract work		
Progress billings received and receivable	28,397,438	1,050,299
Contract costs incurred plus attributable profits		
less foreseeable losses to date	(17,103,730)	(514,499)
	11,293,708	535,800

All gross amounts due from/to customers for contract work are expected to be recovered/settled within one year.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

17 Share capital and share premium

Authorised share capital

	Number of Ordinary share	Nominal value of ordinary share HK\$	Share premium HK\$
As at 31 December 2016 (audited) and 30 June 2017 (unaudited)	10,000,000,000	100,000,000	—

Issued and fully paid

	Number of Ordinary share	Nominal value of ordinary share HK\$	Share premium HK\$
As at 31 December 2016 (audited) and 30 June 2017 (unaudited)	480,000,000	4,800,000	65,336,977

18 Trade and other payables

	As at 30 June 2017 HK\$ (Unaudited)	As at 31 December 2016 HK\$ (Audited)
Trade payables	6,035,248	11,518,334
Accrued employee benefit expenses	442,137	1,059,642
Other payables	16,129,726	9,047,149
	22,607,111	21,625,125

The carrying amounts of the trade payables approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

18 Trade and other payables (Continued)

The aging analysis of the trade payables based on invoice date was as follows:

	As at 30 June 2017 HK\$ (Unaudited)	As at 31 December 2016 HK\$ (Audited)
Within 1 month	422,540	1,630,647
1 to 2 months	237,470	1,118,944
2 to 3 months	—	1,908,917
Over 3 months	5,375,238	6,859,826
	6,035,248	11,518,334

19 Operating lease commitments

The Group leases office under non-cancellable operating lease agreement with lease terms between 1 to 2 years. The future aggregate minimum lease payments under the operating lease agreement are as follows:

	As at 30 June 2017 HK\$ (Unaudited)	As at 31 December 2016 HK\$ (Audited)
Not later than 1 year	1,703,200	1,903,200
Later than 1 year and no later than 5 years	58,600	810,200
	1,761,800	2,713,400

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

20 Contingent liabilities

The Group did not have any significant contingent liabilities as of 30 June 2017 (31 December 2016: nil).

21 Related-party transactions

In addition to the related party information and transactions disclosed elsewhere in the condensed consolidated interim financial information, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties.

The directors of the Company are of the view that the following parties that had transactions or balances with the Group are related parties:

Name	Relationship with the Group
Legend Investments International Limited	Controlled by Mr. Yau and Ms. Sz
Legend Enterprise (HK) Limited	Controlled by Mr. Yau and Ms. Sz
Ms. Cheng	Close family member of Ms. Sz

The following significant transactions were carried out between the Group and its related parties during the period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Transactions with related-parties

	Three months ended 30 June		Six months ended 30 June	
	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
Sales of design and fit-out services:				
— Close family member of Ms. Sz (Note a)	272,808	—	272,808	—
Rental expenses:				
— Legend Enterprise (HK) Limited (Note b)	—	—	—	40,195

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

21 Related-party transactions (Continued)

(a) Transactions with related-parties (Continued)

Note:

- (a) Sales of services are negotiated and mutually agreed between the related parties.
- (b) The rental expenses were mutually agreed between the related parties and the rental agreement has been terminated on 27 January 2016.

(b) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	Three months ended 30 June		Six months ended 30 June	
	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
Basic salaries and bonus	1,552,049	1,040,015	3,283,537	1,865,961
Pension costs — defined contribution plan	45,000	43,500	90,000	85,984
	1,597,049	1,083,515	3,373,537	1,951,945

SUPPLEMENTARY INFORMATION

Comparison between Business Objectives and Actual Business Progress

The following is a comparison between the Group's business plans as set out in the prospectus of the Company dated 29 June 2016 (the "Prospectus") and the Group's actual business progress for the six months ended 30 June 2017:

Business Plan

Actual Business Progress

Recruiting high caliber talents and enhancing company strength

- | | |
|--|---|
| <ul style="list-style-type: none">— Recruit high caliber talents

— Enhance our information system and design software | <ul style="list-style-type: none">— The Group had hired two senior management members and twelve general staff members in the departments of sales and marketing, design, project management, finance and administration since 2016 to cope with our business expansion after listing.
— The Group had replaced some of our desktop computers and design software. |
|--|---|

Developing a new line of business and financing potential business collaboration and/or acquisition of companies

- | | |
|--|---|
| <ul style="list-style-type: none">— Develop a new line of business

— Acquisition of companies | <ul style="list-style-type: none">— The Group had hired one senior management member dedicated to the planning and execution of our Group's business expansion. Since 2016 and during the first half of 2017, the Group had made a few business trips to pitch for new business opportunities.
— The Group is in the process of formulating a plausible business plan in the movable furniture market. The Group had not yet identified any suitable investment or acquisition target. |
|--|---|

SUPPLEMENTARY INFORMATION (CONTINUED)

Business Plan

Actual Business Progress

Expanding market coverage

- Relocate our office in Hong Kong
 - Establish a representative office in Shanghai
- In 2016, the Group had relocated its office from Quarry Bay to Kwun Tong with innovative design to further improve the Group's image. The Group had further expanded the office in the 4th quarter of 2016. The new and expanded office continued to make good impression for our customers in the first half of 2017.
 - The Group is still observing the market in the Greater China region, particularly the major cities such as Shanghai and Taiwan.

Capturing larger design and fit out projects

- Payment of start-up costs for new projects
- The Group continued to pitch for larger projects. No significant start-up costs have been paid for our new projects.

Increasing the effectiveness of marketing and brand recognition

- implement marketing and advertising campaign
 - promotion through designing and preparing company brochures and marketing materials
- The Group had committed to post advertisements in MTR, office/commercial TV network and various popular magazines, and had made donations to various charitable organizations to increase public exposure of the Group and enhance its corporate image.
 - The Group has obtained various corporate awards with the following achievements in 2017:
 - Green Office and Eco-Healthy Workplace Awards organized by World Green Organisation
 - Hong Kong Sustainability Award 2016/17 by organized The Hong Kong Management Association
 - Happy Company Award organized by the Promoting Happiness Index Foundation
 - Caring Company Logo Award 2016/17 organized by The Hong Kong Council of Social Service

SUPPLEMENTARY INFORMATION (CONTINUED)

Use of Listing Proceeds

The shares of the Company were listed on GEM of the Stock Exchange on 12 July 2016 for which the Company issued 120,000,000 new shares at HK\$0.64 per share. The net listing proceeds received by the Company, after deducting underwriting fees and other related expenses, are approximately HK\$57.0 million. These proceeds are intended to be applied in the manner as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

The future plan and scheduled use of proceeds as disclosed in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus, while the proceeds were applied with consideration of the actual development of business and market. As at 30 June 2017, the Group does not anticipate any change to the plan as to the use of listing proceeds. The majority of the unused net proceeds have been placed as interest bearing short-term demand deposits with licensed bank in Hong Kong.

As at 30 June 2017, the net listing proceeds has been applied and utilized as follows:

Use of net proceeds	Planned	Approximate	Actual use of net proceeds	Unused net proceeds
	use of net proceeds	percentage of total net proceeds		
	(HK\$'000)		(HK\$'000)	(HK\$'000)
Recruiting high caliber talents and enhancing company strength	15,225	27%	6,426	8,799
Developing a new line of business and financing potential business collaboration and/or acquisition of companies	13,587	24%	998	12,589
Expanding market coverage	10,788	19%	4,229	6,559
Capturing larger design and fit out projects	6,840	12%	—	6,840
Increasing the effectiveness of marketing and brand recognition	4,860	8%	1,432	3,428
General working capital	5,700	10%	1,639	4,061
Total	57,000	100%	14,724	42,276

Note : Under the category of "Capturing larger design and fit out projects", our Group managed to capture larger design and fit out projects which do not require payment of start-up costs for new projects such as prepayment of subcontracting and material costs. As a result of the success, our Group was able to accomplish our objective under this category without having to deploy the assigned amount of Use of Proceeds previously anticipated in our Prospectus.

Principal Risks and Uncertainties

The business operations and results of the Group may be affected by various factors, some of which are external causes and some are inherent to the business. The principal risks and uncertainties are summarized below:

- Failure to obtain new contracts could materially affect our financial performance;
- We rely on our management team in operating our business;
- We rely on our ability to successfully meet customers' and end users' preference by delivering our interior design solutions in a timely manner;
- We rely on the performance of our project management staff; and
- We rely on our suppliers to complete certain projects and are subject to risk arising from the noncompliance, late performance or poor performance by such suppliers. Also, there is no assurance that these suppliers will be able to continue to provide services to us at fees acceptable to us.

Changes of Directors' Information under Rule 17.50A(1) of the GEM Listing Rules

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes of information of Directors since the publication of 2016 annual report of the Company and up to the date of this report were as follows:

In April 2017, Ms. Lee Hau Yan, Hannah has been appointed as the chief financial officer of Tink Labs Limited, a company principally engaged in design and development of application software in Hong Kong.

In May 2017, Mr. Wong Kang Man has been appointed as a director of Ace Architectural and Interior Design Limited, a company principally engaged in interior design business in Hong Kong.

Subsequent to the reporting period and on 12 July 2017, the changes of information of Directors were as follows:

Ms. Sz Kit has tendered her resignation as an executive Director of the Company, but remains as an employee for the position of Director, Projects with the Company.

SUPPLEMENTARY INFORMATION (CONTINUED)

Mr. Lau Chun Wah, Davy has tendered his resignation as the Chairman of the Board and an independent non-executive Director of the Company. Subsequent to his resignation, Mr. Lau has ceased to be the member for each of the audit committee and the nomination committee of the Company.

Mr. Lam Chung Ho, Alastair has been appointed as the Chairman of the Board and an executive Director of the Company with a monthly salary of HK\$20,000.

Mr. Kloeden Daniel Dieter has been appointed as an independent non-executive Director and a member for each of the audit committee and the nomination committee of the Company with a monthly Director's fee of HK\$20,000.

Save for the information above, the Company is not aware of any other change in the directors' information which are required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules since the date of the 2016 annual report.

Share Option Scheme

The Company has conditionally adopted the share option scheme ("Share Option Scheme"), which was approved by written resolutions passed by its sole Shareholder on 15 June 2016 and became unconditional on 12 July 2016. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

The Share Option Scheme is valid and effective for a period of 10 years from 12 July 2016, after which no further options will be granted or offered.

As at 30 June 2017, there was no option outstanding, granted, cancelled, exercised or lapsed.

SUPPLEMENTARY INFORMATION (CONTINUED)

Directors and Chief Executive's Interests and/or Short Positions in Shares, Underlying Shares and Debentures of the Company or any Specified under Taking of the Company or any Other Associated Corporation

As at 30 June 2017, the interests and short positions of directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long position in the ordinary shares and underlying shares of the Company

(i) Interests in the Company

Interests in ordinary shares

Name of directors	Personal interests	Family interests	Corporate interests	Total	Total	Aggregate interests	Approximate
				interests in ordinary shares	interests in underlying shares		% of the Company's issued voting shares
Mr. Yau Chung Ping ^{Note 1}	—	—	240,004,000	240,004,000	—	240,004,000	50% ^{Note 2}
Ms. Sz Kit ^{Note 1 and 3}	—	—	240,004,000	240,004,000	—	240,004,000	50% ^{Note 2}

Notes:

- The 240,004,000 shares are beneficially held by Legend Investments International Limited, which is legally and beneficially owned as to 80% by Mr. Yau Chung Ping and as to 20% by Ms. Sz Kit. Accordingly, Mr. Yau Chung Ping and Ms. Sz Kit are deemed to be interested in 240,004,000 shares held by Legend Investments International Limited by virtue of the SFO. Mr. Yau Chung Ping and Ms. Sz Kit are directors of Legend Investments International Limited.
- The total number of issued shares is 480,000,000. The approximate 50% was the round down of the exact percentage figure of the aggregate interests to be nearest whole number.
- Ms. Sz Kit has tendered her resignation as an executive Director of the Company on 12 July 2017.

SUPPLEMENTARY INFORMATION (CONTINUED)

(ii) Interests in the associated corporation

Name of directors	Name of associated corporation	Capacity/Nature	No. of shares held	% of the issued voting shares of associate corporation
Mr. Yau Chung Ping	Legend Investments International Limited	Interest in controlled corporation	80	80%
Ms. Sz Kit	Legend Investments International Limited	Interest in controlled corporation	20	20%

Save as disclosed above, as at 30 June 2017, none of the directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the standards of dealing by Directors as referred to in Rule 5.48 to 5.67 of the GEM Listing Rules.

Substantial shareholder's Interests and/or Short Position in Shares and Underlying Shares of the Company

As at 30 June 2017, the interest of the persons, other than directors or chief executive of the Company, in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company were as follows:

Long position in the ordinary shares and underlying shares of the Company

Name of shareholders	Capacity	Number of shares held	Approximate % of the Company's issued voting shares
Legend Investments International Limited	Beneficial owner	240,004,000	50% ^{Note}

Note : The total number of issued shares is 480,000,000. The approximate 50% was the round down of the exact percentage figure of the aggregate interests to be nearest whole number.

SUPPLEMENTARY INFORMATION (CONTINUED)

Save as disclosed above, as at 30 June 2017, the Company had not been notified by any persons (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Rights to Acquire Shares or Debentures

Other than the Share Option Scheme and as disclosed under the sections "Directors and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the six months ended 30 June 2017 was the Company or any of its subsidiaries, or any of its fellow subsidiaries or any associated corporations, a party to any arrangement to enable the directors or chief executive of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Interests in Competing Businesses and Conflict of Interests

Each of the controlling shareholders (as defined under the GEM Listing Rules) of the Company entered into a deed of non-competition (the "Deed of Non-competition") dated 15 June 2016 in favour of the Company, mainly to the effect that at any time the controlling shareholders are interested, directly or indirectly, in 30% or more of the issued shares of the Company, the controlling shareholders shall not, and shall procure their close associates not to carry on, engage in, invest or acquire or hold any rights or be interested or otherwise involved in any business that is similar to or in competition directly or indirectly with any business currently and from time to time engaged by our Group in Hong Kong and any other country or jurisdiction to which our Group carries on our business from time to time.

During the six months ended 30 June 2017, none of the Directors, the controlling shareholders of our Company or their respective close associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of our Group and any other conflict of interest with our Group, save for the following:-

Mr. Wong Kang Man, a non-executive Director of the Company, has interests and/or held active managing role of a company principally engaged in interior design business in Hong Kong. Despite of such newly-established company being engaged in the same interior design business in Hong Kong, the Group has been operating independently of the business of such company, no competition is considered to exist during the six months ended 30 June 2017.

Code on Corporate Governance Practices

During the six months ended 30 June 2017, the Board considers that the Company has complied with all the corporate governance codes (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules.

SUPPLEMENTARY INFORMATION (CONTINUED)

Compliance of Code of Conduct for Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by our Company during the six months ended 30 June 2017.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

Interests of the Compliance Adviser

As notified by VBG Capital Limited, the compliance adviser of our Company, save for the compliance adviser agreement entered into between the Company and VBG Capital limited dated 11 March 2016, neither VBG Capital Limited nor any of its close associates (as defined in the GEM Listing Rules) and none of the directors or employees of VBG Capital Limited had any interest in the share capital of the Company or any member of our Group (including options or rights to subscribe for such securities, if any) which is required to be notified to our Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 June 2017.

Audit Committee

The Company established an audit committee on 15 June 2016 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the CG Code as set out in Appendix 15 to the GEM Listing Rules. As at the date of this report, the audit committee comprises three independent non-executive Directors, namely, Ms. Lee Hau Yan, Hannah (Chairlady), Mr. Tse Chi Shing and Mr. Kloeden Daniel Dieter. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the internal control procedures of our Company.

The audit committee has reviewed the accounting principles and practices adopted by the Group and has discussed with the management regarding the auditing and financial reporting matters. The audit committee has discussed and reviewed the unaudited financial information and the first quarterly report for the six months ended 30 June 2017.

As at the date of this report, the executive Directors are Mr. Yau Chung Ping and Mr. Lam Chung Ho, Alastair; the non-executive Director is Mr. Wong Kang Man; and the independent non-executive Directors are Ms. Lee Hau Yan, Hannah, Mr. Tse Chi Shing and Mr. Kloeden Daniel Dieter.



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