



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

INTERIM REPORT
中期報告 2020

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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 of The Stock Exchange of Hong Kong Limited (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.



CONTENTS

Management Discussion and Analysis	3
Unaudited Interim Financial Information	11
Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	11
Interim Condensed Consolidated Statement of Financial Position	13
Interim Condensed Consolidated Statement of Changes in Equity	15
Interim Condensed Consolidated Statement of Cash Flows	16
Notes to the Unaudited Condensed Consolidated Interim Financial Information	17
Supplementary Information	35

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

AL Group Limited (the “Company”) together with its subsidiaries (collectively referred to as the “Group”), are principally engaged in the provision of interior design and fit out solutions as well as overall project management 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 categorised 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 2020, the total revenue decreased by approximately 17.0% and the number of projects decreased by 9.5% over the same period in 2019, mainly attributable to delay of commencement of certain projects to the second half of 2020 and under the negative effect of the outbreak of COVID-19. As a result, the average revenue per project decreased by approximately 8.3% from the same period in 2019 to approximately HK\$1.1 million.

The tables below summarised 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 2020 respectively and their comparative figures:

In terms of Number of Projects*

	For the six months ended 30 June		
	2020	2019	Change
Design and fit out/Design only			
Office	33	26	26.9%
Commercial	3	12	(75.0%)
Residential	2	4	(50.0%)
Total	38	42	(9.5%)

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In terms of Revenue*

In HK\$' million	For the six months ended 30 June		
	2020	2019	Change
Design and fit out/Design only			
Office	38.2	19.0	101.1%
Commercial	1.8	28.6	(93.7%)
Residential	1.6	2.5	(36.0%)
Total	41.6	50.1	(17.0%)

Average Revenue per Project*

In HK\$' million	For the six months ended 30 June		
	2020	2019	Change
Revenue	41.6	50.1	(17.0%)
Number of projects	38	42	(9.5%)
Average revenue per project	1.1	1.2	(8.3%)

* excluding those relating to maintenance and aftersales service

The Group continued to be awarded projects in 2020 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 2018 which will come online and contribute to the total revenue in the second half of 2020 and beyond. As at the date of this report, our Group has secured project contracts with a total contract sum of over HK\$82.6 million, for some of the works will commence in the third quarter of 2020.

Looking forward, the market condition and economic environment for the rest of 2020 remain uncertain. In view of the keen competition in the market and economic uncertainty, the Group will continue to strengthen the market position, delivers more values to the customers and optimise productivity and efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Financial Overview

In HK\$' million	For the six months ended 30 June	
	2020	2019
Revenue	41.9	50.6
Gross Profit (Note 1)	8.4	7.8
Gross Profit Margin	20.0%	15.4%
Adjusted EBITDA (Note 2)	(2.3)	(5.2)
Loss for the period attributable to owners of the Company	(25.0)	(7.3)

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

Note 2: The Group's adjusted EBITDA represents earnings or losses before finance interest income and cost, other gains/losses, income tax, depreciation of property, plant and equipment and right-of-use assets, and share of profit less loss of associate. While adjusted 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 adjusted EBITDA may not be comparable to similarly-titled measures of other companies.

For the six months ended 30 June 2020, the Group's revenue decreased when compared to the same period in 2019. The Group's revenue amounted to approximately HK\$41.9 million, representing a decrease of approximately 17.1% from the same period in 2019, mainly driven by delay of commencement of certain projects to the second half of 2020 and under the negative effect of the outbreak of COVID-19.

The Group's gross profit for the six months ended 30 June 2020 amounted to approximately HK\$8.4 million, representing an increase of approximately 8.0% over the same period in 2019. Gross profit margin increased from approximately 15.4% to approximately 20.0%. The increase in gross profits margin was mainly due to relatively larger projects (with individual total contract sum over HK\$4 million) continued to contribute revenue in 2020. Whilst the larger projects tend to incur additional subcontracting costs, management is able to tighten the cost control and resulted in a better profit margin than last year. The larger projects enhanced the Group's reputation, maintained a competitive advantage in the market and achieved business growth even in an unstable business environment.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's total operating expenses (Note 3) for the six months ended 30 June 2020 were approximately HK\$12.9 million when compared to approximately HK\$14.8 million for the same period in 2019. The decrease in total operating expenses was mainly due to the decrease in employee benefit expenses and legal and professional fee.

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

For the six months ended 30 June 2020, the Group's adjusted EBITDA amounted to approximately HK\$-2.3 million as compared to approximately HK\$-5.2 million for the same period in 2019, mainly driven by the increase in the overall gross profit for the Group's business and the decrease in total operating expenses. The Group recorded a loss attributable to owners of the Company of approximately HK\$25.0 million for the six months ended 30 June 2020 when compared to a loss attributable to owners of the Company of approximately HK\$7.3 million for the same period in 2019. Besides the effect of increase in the overall gross profit mentioned above, such change was mainly attributable to the recognition of an impairment loss on interests in associates, an increase in loss on change in fair value of financial assets at fair value through profit or loss for the six months ended 30 June 2020 when compared to the same period in 2019 and an increase in finance cost due to increase in borrowings during 2019.

Primo together with its subsidiary (the "Primo Group") is an associate of the Company in which the Company indirectly holds 49% of the entire issued share capital thereof. Primo is an investment holding company and holds 100% of the equity interest of Primocasa Interiors Limited ("Primocasa"), which is principally engaged in the provision of interior design and fit out solutions in Hong Kong. During the six months ended 30 June 2020, the Company had recognised an impairment of approximately HK\$17,325,000 (the six months ended 30 June 2019: nil) on the investment in Primo Group.

In accordance with HKAS 36 "Impairment of Assets", for the purpose of preparing the consolidated financial statements of the Group, the Company will assess the value in use and test for impairment (if any) of the cash-generating unit on an annual basis and whenever there is an indication that the unit may be impaired.

The management of the Company had assessed the carrying value and recoverable amount of the interests in associates after taking into account of the adverse effect of the COVID-19 and the continued social instability in Hong Kong affecting the economy and the luxury residential market. The Company had engaged B.I. Appraisals Limited ("B.I. Appraisals"), an independent qualified professional valuer, to conduct a valuation on the cash generating unit in relation to the 49% of the equity interest of Primo Group as at 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Key value of inputs used in the discounted cash flow method adopted under the income-based approach included gross margin of approximately 32%, settlement terms of receivables derived from the contract revenue was estimated to be approximately 30 days, long-term sustainable growth rate beyond the forecast period of approximately 2.5% and post-tax discount rate of approximately 11.7%. The Directors are of the view that the valuation approach adopted by B.I. Appraisals is fair and reasonable.

Liquidity, Financial Resources and Capital Structure

The Group practiced prudent financial management and closely monitor the financial position during the six months ended 30 June 2020. As of 30 June 2020, the Group had cash and cash equivalents of approximately HK\$25.1 million (31 December 2019: approximately HK\$22.1 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.3 times as at 30 June 2020 (31 December 2019: approximately 1.4 times).

As at 30 June 2020, the Group had total liabilities of approximately HK\$117.0 million (31 December 2019: approximately HK\$116.5 million) which mainly comprise of trade and other payables, contract liabilities, amount due to non-controlling interest, income tax payable, lease liabilities and borrowings amounting to approximately HK\$70.7 million (31 December 2019: approximately HK\$68.7 million) and promissory note payable of approximately HK\$46.3 million (31 December 2019: \$47.8 million).

As at 30 June 2020, the gearing ratio, expressed as a percentage of interest-bearing debt (borrowings and promissory note payable) over total assets was 62.9% (31 December 2019: 51.2%). It was mainly resulted by the decrease in total assets of the Group. The management will timely monitor the financial position of the Group and improve the financial position in a timely manner.

The shares of the Company were listed on the GEM Board of the Stock Exchange on 12 July 2016. As at 30 June 2020, the Company's total number of issued shares was 707,000,000 (31 December 2019: 595,000,000) at HK\$0.01 each. The Company's capital comprises ordinary shares and capital reserves. The Group finances its working capital requirements mainly through a combination of our cash flows generated from operations, borrowings and proceeds from share offer.

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 2020.

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.

Pledge of Assets

As at 30 June 2020, the Group did not have any pledged assets (31 December 2019: Nil).

Contingent Liabilities and Capital Commitments

Certain customers of design and fit out contracts undertaken by the Group require a group entity to issue guarantees for performance of contract works in the form of surety bonds.

As at 30 June 2020, the Group had paid a refundable deposit of HK\$ nil (31 December 2019: HK\$706,000) and, together with certain directors of a subsidiary, had also given counter indemnities to an insurance company for a surety bond issued in favour of a customer by the insurance company amounted to HK\$ nil (31 December 2019: HK\$2,354,000) which was refunded during the six months ended 30 June 2020. Where the Group fails to provide satisfactory performance to the customer, the customer may demand the insurance company to pay the sum stipulated in the surety bond and the Group may then become liable to compensate the insurance company accordingly.

Save as disclosed herein, the Group has no other material contingent liabilities (31 December 2019: Nil) and any material capital commitments as at 30 June 2020 (31 December 2019: 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 2020 (2019: 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 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Significant Investments Held

As at 30 June 2020, the Group held approximately HK\$1.3 million of equity investments which were classified as financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, and interests in associates amounting to approximately HK\$4.5 million. Details of the significant listed equity investments are as follows:

	Notes	Place of incorporation	Loss on change in fair value HK\$'000	Market value HK\$'000	Approximate percentage of equity investment %	Approximate percentage to the total asset %	Approximate percentage to the interest in the respective investments as at 30 June 2020 %	Realised loss on investment HK\$'000
HSBC Holdings plc (0005.hk)	1	England	(650)	955	74.0	1.0	<0.01	—
Gain Plus Holdings Limited (9900.hk)	2	Cayman Islands	(154)	335	26.0	0.3	0.09	(478)
			(804)	1,290	100	1.3		(478)

Notes:

1. HSBC Holdings plc (HSBC) is the banking and financial services company. No Dividend was received during the period.
2. Gain Plus Holdings Limited is principally engaged in provision of building construction services and repair, maintenance, addition and alteration (RMAA) services in Hong Kong. No dividend was received during the period.

In view of the recent volatile in the stock market, the Board will adopt cautious measures to manage the Group's investment portfolio with an aim to provide positive return to the Group in the near future.

Save as disclosed herein and except for investment in subsidiaries, the Group did not have any significant investment in equity interest as at 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

On 29 April 2020, Fasty Aim Limited (“Fasty Aim”), a direct wholly-owned subsidiary of the Company and Ms. To Kit Yan Yuki (the “Vendor”) entered into a sale and purchase agreement (the “Acquisition”), pursuant to which, Fasty Aim has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire issued share capital of YTO Limited (the “Target Company”) for a total consideration of HK\$4,480,000, which will be fully satisfied by the allotment and issue of 112,000,000 shares (the “Consideration Shares”) of the Company, representing approximately 15.84% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. Completion of the transaction took place on 8 May 2020. For details of the Acquisition, please refer to the announcement of the Company dated 29 April 2020.

Save as disclosed herein, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2020.

Employees and Remuneration Policies

As at 30 June 2020, the Group had 38 employees (31 December 2019: 39 employees, 30 June 2019: 40 employees), including the Directors. Total staff costs (including Directors’ emoluments) were approximately HK\$8.8 million for the six months ended 30 June 2020 as compared to approximately HK\$9.8 million for the six months ended 30 June 2019.

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 sales commission, provident fund, medical coverage and discretionary bonuses. Level of remuneration is reviewed at least annually.

UNAUDITED INTERIM FINANCIAL INFORMATION

The board of Directors (the “Board”) of AL Group Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 June 2020 together with the comparative figures as follows:

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months/six months ended 30 June 2020

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	4	15,176	15,893	41,925	50,564
Other income	5	345	28	436	204
Other (losses)/gains	6	(18,652)	(137)	(19,341)	72
Subcontracting and materials costs		(11,066)	(13,422)	(33,540)	(42,799)
Employee benefit expenses		(3,812)	(4,828)	(8,847)	(9,769)
Rental expenses		–	(91)	–	(234)
Other expenses	7	(2,040)	(2,330)	(4,052)	(4,764)
Operating loss		(20,049)	(4,887)	(23,419)	(6,726)
Finance income	8	5	5	5	9
Finance costs		(1,421)	(1,363)	(2,593)	(2,166)
Share of (loss)/profit of associate		(365)	272	(424)	15
Loss before tax		(21,830)	(5,973)	(26,431)	(8,868)
Income tax (expense)/credit	9	(7)	3	(7)	—
Loss for the period		(21,837)	(5,970)	(26,438)	(8,868)
Loss for the period attributable to:					
Owners of the Company		(21,172)	(4,363)	(25,028)	(7,268)
Non-controlling interests		(665)	(1,607)	(1,410)	(1,600)
		(21,837)	(5,970)	(26,438)	(8,868)

UNAUDITED INTERIM FINANCIAL INFORMATION (CONTINUED)

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the three months/six months ended 30 June 2020

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Other comprehensive (expenses)/income					
Items that will not be reclassified to profit or loss					
(Loss)/gain on change in the fair value of financial assets at the fair value through other comprehensive income		(210)	23	(650)	—
Other comprehensive (expenses)/income for the period, net of tax		(210)	23	(650)	—
Total comprehensive expenses for the period, net of tax		(22,047)	(5,947)	(27,088)	(8,868)
Total comprehensive expenses for the period attributable to:					
Owners of the Company		(21,382)	(4,340)	(25,678)	(7,268)
Non-controlling interests		(665)	(1,607)	(1,410)	(1,600)
		(22,047)	(5,947)	(27,088)	(8,868)
		HK cents	HK cents	HK cents	HK cents
Loss per share	11				
Basic		(3.20)	(0.73)	(3.98)	(1.22)
Diluted		N/A	N/A	N/A	N/A

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

UNAUDITED INTERIM FINANCIAL INFORMATION (CONTINUED)

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	12	550	972
Right-of-use assets	13	1,591	2,910
Goodwill		1,115	—
Interests in associates	14	4,518	22,267
Financial assets at fair value through other comprehensive income		955	1,605
Rental deposits	15	—	438
		8,729	28,192
Current assets			
Trade and other receivables	15	27,277	26,700
Financial assets at fair value through profit or loss		335	1,979
Contract assets	16	37,913	43,889
Amount due from an associate		30	20
Current income tax recoverable		—	703
Cash and bank balances		25,082	22,053
		90,637	95,344
Current liabilities			
Trade and other payables	17	43,467	44,948
Contract liabilities	16	4,979	2,312
Amount due to non-controlling interest		5,600	5,600
Borrowings		16,200	15,500
Income tax payable		494	—
		70,740	68,360

UNAUDITED INTERIM FINANCIAL INFORMATION (CONTINUED)

Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2020

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Net current assets		19,897	26,984
Total assets less current liabilities		28,626	55,176
Non-current liabilities			
Promissory note payable	18	46,262	47,782
Lease liabilities		—	395
		46,262	48,177
Net (liabilities)/assets		(17,636)	6,999
Equity			
Share capital	19	7,070	5,950
Reserves		(15,884)	8,461
Equity attributable to owners of the Company		(8,814)	14,411
Non-controlling interests		(8,822)	(7,412)
Total equity		(17,636)	6,999

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

UNAUDITED INTERIM FINANCIAL INFORMATION (CONTINUED)

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the Company					Total	Non-controlling interest	Total
	Share capital	Share premium	Other reserve	Investment revaluation reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	5,950	82,012	5,922	(46)	(79,427)	14,411	(7,412)	6,999
Loss for the period	—	—	—	—	(25,028)	(25,028)	(1,410)	(26,438)
Other comprehensive expense								
Loss on change in fair value of financial assets at fair value through other comprehensive income	—	—	—	(650)	—	(650)	—	(650)
Total comprehensive expense for the period	—	—	—	(650)	(25,028)	(25,678)	(1,410)	(27,088)
Issue of shares for acquisition of subsidiary	1,120	1,344	—	—	—	2,464	—	2,464
Share issue expenses	—	(11)	—	—	—	(11)	—	(11)
At 30 June 2020	7,070	83,345	5,922	(696)	(104,455)	(8,814)	(8,822)	(17,636)
At 1 January 2019	5,950	82,012	5,922	54	(22,994)	70,944	(3,080)	67,864
Loss for the period	—	—	—	—	(7,268)	(7,268)	(1,600)	(8,868)
Total comprehensive expense for the period	—	—	—	—	(7,268)	(7,268)	(1,600)	(8,868)
At 30 June 2019	5,950	82,012	5,922	54	(30,262)	63,676	(4,680)	58,996

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

UNAUDITED INTERIM FINANCIAL INFORMATION (CONTINUED)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Cash flows from operating activities			
Net cash generated from/(used in) operations		1,255	(16,088)
Cash flows from investing activities			
Purchase of property, plant and equipment		—	(391)
Acquisition of subsidiary	20	1,436	—
Dividend received from associates attributable to pre-acquisition profits		—	3,200
Purchase of financial assets at fair value through profit or loss		—	(1,574)
Proceeds from disposal of financial assets at fair value through profit or loss		1,012	3,669
Interest received		5	9
Net cash generated from investing activities		2,453	4,913
Cash flows from financing activities			
Share issue expenses		(11)	—
Proceeds from borrowings		700	9,100
Repayment of borrowings		—	(600)
Finance costs paid		(57)	—
Payment of lease liabilities		(1,311)	—
Net cash (used in)/generated from financing activities		(679)	8,500
Net increase/(decrease) in cash and cash equivalents		3,029	(2,675)
Cash and cash equivalents at the beginning of period		22,053	20,681
Cash and cash equivalents at the end of period		25,082	18,006
Analysis of cash and cash equivalents			
Cash and bank balances		25,082	18,006

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE UNAUDITED 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 has established a place of business in Hong Kong which is located at Unit A, 35/F, EGL Tower, 83 Hung To Road, Kwun Tong, Hong Kong.

The Company is an investment holding company and, together with its subsidiaries (collectively referred to as the “Group”), are principally engaged in the provision of interior design and fit out solutions as well as overall project management in Hong Kong.

The shares of the Company (the “Share(s)”) were listed on GEM of the Stock Exchange of Hong Kong Limited on 12 July 2016 (the “Listing Date”).

This condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”), and all values are rounded to nearest thousands (“HK\$’000”) except when otherwise stated.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2020 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 required by the Rules Governing the Listing Securities on the GEM of the Stock Exchange (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 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

Notwithstanding that the Group’s total liabilities at 30 June 2020 exceeded the Group’s total assets at that date by HK\$17,636,000, and the Group incurred net loss of approximately HK\$26,438,000 for the six months ended 30 June 2020, the directors considered it appropriate for the preparation of the condensed consolidated financial statements on a going concern basis. Management of the Group is implementing stringent measures over the costs and expenses incurred for the Group’s business and will consider to seek other alternative financing and bank borrowings, if required, to finance the Group’s existing financial obligations and future operating and capital expenditures.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3 Principal accounting policies

Except as described below, the principal accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, 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 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendment to HKFRS 16	COVID-19 Related Rent Concessions

The application of new and amended standards effective in respect of the current period had not resulted in significant impact on the Group's interim condensed consolidated financial information. The Group has also not applied any new or amended standards that are not effective in respect of the current period.

4 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 represents income from major services (substantially all of which is recognised over time) as follows:

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Design and fit out	14,307	15,156	40,939	49,460
Design	706	445	706	645
Maintenance and aftersales services	163	292	280	459
	15,176	15,893	41,925	50,564

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

4 Revenue and segment information (Continued)

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 customers during the period is as follows:

Revenue from external customers

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Hong Kong	15,176	15,893	41,925	50,564

The Group's five largest customers accounted for approximately 56% (2019: 68%) of the Group's total revenue for the six months ended 30 June 2020.

Information about major customers

Revenue from individual customers contributing over 10% of the revenue of the Group is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Customer A	5,773	—	5,773	—
Customer B	—	—	4,679	—
Customer C	—	—	4,400	—
Customer D	—	—	4,364	—
Customer E	2,136	—	4,272	—

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

5 Other income

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Dividend income on financial assets through other comprehensive income	—	20	—	61
Sundry income	345	8	436	143
	345	28	436	204

6 Other (losses)/gains

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Gain/(loss) on change in fair value of financial assets at fair value through profit or loss				
– Net unrealised gain/(loss) on listed securities	510	(251)	(154)	358
– Net realised (loss)/gain on disposal on listed securities	(478)	156	(478)	(249)
Foreign exchange losses, net	32	(95)	(632)	109
Impairment loss on interests in associates	—	(5)	—	—
Impairment loss on trade receivables	(17,325)	—	(17,325)	—
Loss on disposal of subsidiary (note 21)	(1,350)	—	(1,375)	—
Loss on disposal of property, plant and equipment	(9)	—	(9)	—
	—	(37)	—	(37)
	(18,652)	(137)	(19,341)	72

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

7 Other expenses

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Advertisement costs	9	7	18	26
Auditor's remuneration	225	225	440	464
Building management fee	59	57	103	106
Depreciation of property, plant and equipment (Note 12)	222	340	487	682
Depreciation of right-of-use assets (Note 13)	653	558	1,286	937
Legal and professional fees	92	341	504	981
Office relocation expenses	—	38	—	108
Impairment loss on trade receivables	—	303	—	303
Travelling and entertainment	244	230	419	745
Other operating expenses	536	231	795	412
	2,040	2,330	4,052	4,764

8 Finance income

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest income on bank deposits	5	5	5	9

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

9 Income tax expense/(credit)

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the six months ended 30 June 2020. 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current income tax	7	(3)	7	—
Income tax expense/(credit)	7	(3)	7	—

10 Dividends

No dividend has been paid or declared by the Company for the six months ended 30 June 2020 (2019: Nil).

11 Loss per share

Loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue, as follows:

	Three months ended 30 June		Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Loss attributable to owners of the Company (in HK\$'000)	(21,172)	(4,363)	(25,028)	(7,268)
Weighted average number of ordinary shares in issue ('000)	661,462	595,000	628,231	595,000
Basic loss per share (in HK cents)	(3.20)	(0.73)	(3.98)	(1.22)

No diluted loss per share is presented for the three months ended and six months ended 30 June 2020 and 2019, as there were no potential ordinary shares in issue during those periods.

12 Property, plant and equipment

During the period, the Group had not acquired or disposed of any significant items of property, plant and equipment. Depreciation for items of property, plant and equipment charged to profit or loss in respect of the six months ended 30 June 2020 amounted to approximately HK\$487,000 (six months ended 30 June 2019: HK\$682,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

13 Right-of-use assets

During the period, the Group had no additions or disposal of material right-of-use assets. Depreciation for items of right-of-use assets charged to profit or loss in respect of the six months ended 30 June 2020 amounted to approximately HK\$1,286,000 (six months ended 30 June 2019: HK\$937,000).

14 Interests in Associates

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Unlisted associates		
Cost of investment	70,287	70,287
Share of post-acquisition losses and other comprehensive expense	(1,777)	(1,353)
Impairment loss recognised	(63,992)	(46,667)
	4,518	22,267

Movements during the period/year are as follows:

	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Year ended 31 December 2019 HK\$'000 (Audited)
At beginning of the period/year	22,267	61,132
Dividend from associate attributable to pre-acquisition profits	—	(3,200)
Share of post-acquisition loss for the period/year	(424)	(1,303)
Impairment loss recognised (Note 6)	(17,325)	(34,362)
At end of the period/year	4,518	22,267

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

14 Interests in Associates (Continued)

Particulars of the associates of the Group are as follows:

Name	Place of establishment/ registration and operations	Proportion equity interest held by the Group		Proportion of voting rights held by the Group		Principal activities
		30 June 2020	31 December 2019	30 June 2020	31 December 2019	
Primo Group (BVI) Limited	BVI	49%	49%	49%	49%	Investment holding
Primocasa Interiors Limited	Hong Kong	49%	49%	49%	49%	Provision of interior design and fit out solutions

Both of these associates are accounted for using the equity method in these consolidated financial statements.

Notes:

- (a) On 15 December 2017, a wholly-owned subsidiary of the Company entered into an agreement with an independent third party, under which the Group has agreed to acquire 49% equity interest in Primo Group (BVI) Limited ("Primo"), Primo is an investment holding company and holds 100% equity interest in Primocasa Interiors Limited ("Primocasa"), which is principally engaged in the provision of interior design and fit out solutions. Pursuant to the acquisition agreement, the aggregate consideration for the acquisition is HK\$75,000,000, which is to be satisfied by (i) allotment and issue of 115,000,000 new ordinary shares of Company of HK\$0.01 each, credited as fully paid, at an issue price of HK\$0.153 per share and (ii) issue by the Company of promissory note with the principal amount of HK\$57,405,000. Completion of the acquisition of 49% equity interest in Primo took place on 20 June 2018.

The cost of acquisition of 49% equity interest in Primo was estimated to be HK\$73,847,000 at date of acquisition, which includes (i) the fair value of the shares issued for the acquisition estimated to be HK\$17,825,000 by reference to the closing market price of the Company's ordinary shares of HK\$0.155 per share at the date of completion of acquisition; (ii) the fair value of the promissory note at the date of its issue estimated to be HK\$54,910,000 as valued by an external valuer using the effective interest rate of 5.26% per annum; (iii) other costs of acquisition amounted to HK\$752,000.

- (b) Management of the Group conducted a review of the profitability of the business undertaken by Primo and its subsidiary, Primocasa, and is of the view that it is appropriate to make impairment loss on the cost of investment in Primo amounted to HK\$17,325,000 for the current period (year ended 31 December 2019: HK\$34,362,000), which is calculated based on the recoverable amount of the investment in Primo on value in use basis, as determined by reference to the valuation conducted by an external valuer. The impairment loss of HK\$17,325,000, which was led by the revision of the future profitability of the business undertaken by Primo and Primocasa, arising from the continuous slowdown of luxury residential market, was recognised in profit or loss in respect of the current period (year ended 31 December 2019: HK\$34,362,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

14 Interests in Associates (Continued)

The following tables illustrate the summarised consolidated financial information in respect of Primo and its subsidiary, Primocasa, and the reconciliation of the summarised consolidated information to the carrying amount in the consolidated financial statements:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Non-current assets	4,974	2,531
Current assets	16,234	18,976
Non-current liabilities	(1,766)	(1,097)
Current liabilities	(12,114)	(12,216)
Net assets	7,328	8,194
	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Year ended 31 December 2019 HK\$'000 (Audited)
Revenue	9,939	16,170
Loss before tax	(865)	(2,726)
Income tax credit	—	66
Loss and total comprehensive expenses for the period/year	(865)	(2,660)
Reconciliation to the Group's interest in the associates:		
Proportion of the Group's ownership	49%	49%
Group's share of net assets of the associates	3,591	4,015
Goodwill on acquisition	64,919	64,919
Impairment losses recognised	(63,992)	(46,667)
Carrying amount of the investment	4,518	22,267

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

15 Trade and other receivables

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Trade receivables	30,966	31,252
Less: Provision for impairment of trade receivables	(10,455)	(9,059)
Trade receivables, net	20,511	22,193
Prepayments, deposits and other receivables	6,766	4,945
	27,277	27,138
Less: non-current portion: rental deposits	—	(438)
Current portion	27,277	26,700

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

The Group does not grant credit term to customers. The ageing analysis of the Group's trade receivables (after impairment loss recognised) based on invoice date were as follows:

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
1–30 days	3,033	6,390
31–60 days	3,402	935
61–90 days	289	2,073
More than 90 days	13,787	12,795
	20,511	22,193

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

15 Trade and other receivables (Continued)

As of 30 June 2020, trade receivables of approximately HK\$20,511,000 (31 December 2019: approximately HK\$22,193,000) 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 Company 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.

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 Contract assets and contract liabilities

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Contract assets		
Design and fit out services	37,891	42,820
Design services	22	1,069
	37,913	43,889
Contract liabilities		
Design and fit out services	4,979	2,312
	4,979	2,312

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights conditioned on the Group's future performance is satisfying the respective performance obligations at the reporting date in respect of projects works.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

17 Trade and other payables

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Trade payables	13,650	19,763
Accrued employee benefit expenses	1,870	2,999
Accrued interest on borrowings	2,511	1,224
Accrued interest on promissory note	2,769	—
Other accruals and payables	20,982	18,327
Lease liabilities	1,685	2,635
	43,467	44,948

The carrying amounts of the trade payables approximate their fair values due to their short-term nature.

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Within 1 month	175	833
1 to 2 months	698	2,828
2 to 3 months	3,058	1,785
Over 3 months	9,719	14,317
	13,650	19,763

The trade payables are non-interest bearing and are normally settled on terms ranging from 0 to 90 days.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

18 Promissory note payable

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Promissory note payable in the second to fifth years	46,262	47,782

On 20 June 2018, the Company issued the promissory note with the principal amount of HK\$57,405,000 as part of the consideration for the acquisition of 49% of the entire interest in Primo Group (BVI) Limited.

The promissory note, which is unsecured, carries interest at 3% per annum and is payable on 19 June 2020 (the "Initial Maturity Date"). At the sole discretion of the Company, the maturity may be extended to 19 June 2022 (the "Extended Maturity Date") and the promissory note carries interest at 8% per annum from the date following the Initial Maturity Date to the Extended Maturity Date. The Company is also entitled to redeem, before the maturity dates, in full or in part with interest on the redeemed amount accrued up to the date of redemption by serving 3 days prior written notice.

The fair value of the promissory note at the issue date was estimated to be HK\$54,910,000, using the effective interest rate of approximately 5.26% per annum.

On 30 November 2019, it was agreed between the Company and the promissory note holder that the maturity date of the promissory note changed to the Extended Maturity Date and interest is charged at 8% per annum with effect from 31 December 2019.

As at 30 June 2020, the promissory note with the principal amount of HK\$46,155,000 (31 December 2019: HK\$46,155,000) remained outstanding.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

18 Promissory note payable (Continued)

Movements of the Company's promissory note payable are as follows:

	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Year ended 31 December 2019 HK\$'000 (Audited)
At beginning of the period/year	47,782	45,390
Interest charge for the period/year	1,249	2,392
Interest included in payable included in trade and other payables	(2,769)	—
At end of the period/year	46,262	47,782

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

19 Share capital and share premium

Authorised share capital

	Number of ordinary shares '000	Nominal value of ordinary shares HK\$'000
As at 31 December 2019 (audited) and 30 June 2020 (unaudited)	10,000,000	100,000

Issued and fully paid share capital and share premium

	Issued and fully paid share capital		
	Number of ordinary shares '000	Nominal value of ordinary shares HK\$'000	Share premium HK\$'000
As at 1 January 2019 and 31 December 2019 (audited)	595,000	5,950	82,012
Issue of ordinary shares (Note)	112,000	1,120	1,344
Share issue expenses	—	—	(11)
As at 30 June 2020 (unaudited)	707,000	7,070	83,345

Note: On 8 May 2020, a wholly-owned subsidiary of the Company completed the acquisition of 100% of the issued share capital of YTO Limited. The consideration for the acquisition was satisfied by the allotment and issue of 112,000,000 new ordinary shares of the Company. Details of the acquisition are set out in note 20.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

20 Acquisition of subsidiary

On 29 April 2020, a wholly-owned subsidiary, Fasty Aim Limited (“Fasty Aim”), entered into a sale and purchase agreement with a third party for the acquisition of 100% equity interest in YTO Limited (“YTO”) for a consideration of HK\$4,480,000. Completion of the acquisition took place on 8 May 2020 and the consideration for the acquisition was satisfied by the issue of 112,000,000 new shares of the Company. The fair value of the shares issued is estimated to HK\$2,464,000 at the date of issue, which is calculated based on the closing market price of the Company’s share at the issue date.

YTO is principally engaged in provision of interior design and fit out solutions services relating to premises used in food and beverage industry and residential segment in Hong Kong.

The acquisition of YTO has been accounted for by business combination using the purchase method. The effect of the acquisition is summarised as follows:

	HK\$'000
Assets	
Property, plant and equipment	65
Trade and other receivables	4,114
Cash and bank balances	1,436
Liabilities	
Trade and other payables	(1,792)
Contract liabilities	(2,383)
Income tax payable	(91)
Total identifiable net assets acquired	1,349

Goodwill arising on acquisition

	HK\$'000
Consideration transferred	2,464
Net assets acquired	(1,349)
Goodwill arising on acquisition	1,115

An analysis of cash flows in respect of the acquisition of YTO is as follows:

	HK\$'000
Cash and bank balances acquired	1,436
Net inflow of cash and cash equivalents	1,436

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

21 Disposal of subsidiary

On 1 June 2020, the Company disposed of 100% equity interest in a subsidiary, Earn Action Limited, for an aggregate cash consideration of US\$4 (equivalent to HK\$32). Earn Action Limited is engaged in investment holding and its subsidiary is inactive and hold a money lender licence.

An analysis of assets and liabilities over which control was lost:

	HK\$'000
Right-of-use assets	33
Rental and other deposits paid	10
Lease liabilities	(34)
Net assets disposed of	9

Loss on disposal of subsidiary

	HK\$'000
Cash consideration (less than HK\$1,000)	—
Net assets disposed of	(9)
Loss on disposal of subsidiary (note 6)	(9)

An analysis of cash flows from disposal of subsidiary is as follows:

	HK\$'000
Cash consideration received (less than HK\$1,000)	—
Cash and bank balances disposed of	—
Net cash flows from disposal of subsidiary	—

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

22 Contingent liabilities

The Group did not have any significant contingent liabilities as of 30 June 2020 (31 December 2019: Nil).

23 Related-party transactions

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.

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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Basic salaries and bonus	715	1,327	1,236	2,600
Pension costs — defined contribution plan	15	34	24	69
	730	1,361	1,260	2,669

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 up to 30 June 2020:

Business Plan

- Recruiting high caliber talents and enhancing company strength

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

Actual Business Progress up to 30 June 2020

- The Group had hired several senior management members and general staff members in the departments of sales and marketing, design, project management, finance and administration since 2016 to cope with our business expansion.
- The Group continued to offer competitive remuneration packages to retain the best available talents in order to achieve the positive growth of the Company.
- The Group had replaced the computer equipment and upgraded the finance and design software.

- The Group had hired one senior management member dedicated to the planning and execution of our Group's business expansion. Since 2016, the Group had made a few business trips to pitch for new business opportunities.
- On 6 November 2017, the Group acquired 60% interest of ACE Architectural and Interior Design Limited ("ACE"), as a result ACE is a non-wholly owned subsidiary of the Group.
- On 20 June 2018, the Group completed the acquisition of 49% interest of Primo Group BVI Limited ("Primo").
- On 8 May 2020, the Group acquired the entire equity interest of YTO Limited, as a result, YTO Limited is a wholly-owned subsidiary.

SUPPLEMENTARY INFORMATION (CONTINUED)

Business Plan

Actual Business Progress up to 30 June 2020

- Expanding market coverage
 - The Company had relocated its office from Quarry Bay to Kwun Tong since 2016 and the subsidiary had relocated and expanded its office with innovative design to further improve the Group's image and enhance good impression for our customers.
 - The executive director of the Group had been the professional members of Hong Kong Interior Design Association and International Interior Design Association, as well as the associated member of International Facility Management Association since 2017 in order to expand the reach of potential customers.
 - Upon acquisition of 49% interest of Primo, Primo brought synergy to the Group to gain wider exposure in different property sectors such as luxury residential and commercial segments and strengthened the Group's market position in the industry.
- Capturing larger design and fit out projects
 - Since 2017, the Group had paid out start-up costs to capture new larger design and fit out projects.
- Increasing the effectiveness of marketing and brand recognition
 - The Group had advertised in interchange subways, office/commercial buildings TV network to increase public awareness. The Group had also made donations to various charitable organizations to enhance its corporate image.
 - Since 2017, the Group had been awarded numerous corporate awards from World Green Organisation, Hong Kong Management Association and Hong Kong Council of Social Service to promote our brand.

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.

The Company has been prudently formulating the future business strategies within the Group. Accordingly, the Company has adopted a more conservative approach and shall postpone the utilisation of the remaining proceeds. The Directors shall continue to pitch out for expanding the market coverage and develop effective marketing strategies for the Group as and when appropriate and consider such postponement in use of listing proceeds is in the interests of the Company and the shareholders as a whole.

As at 30 June 2020, the Group does not anticipate any change to the plan as to the use of listing proceeds. The unutilised net proceeds have been placed in the licensed banks in Hong Kong.

As at 30 June 2020, the net listing proceeds has been applied and utilised as follows:

Use of net proceeds	Planned use of net proceeds (HK\$'000)	Approximate percentage of total net proceeds	Actual use of net proceeds (HK\$'000)	Unused net proceeds (HK\$'000)
Recruiting high caliber talents and enhancing company strength	15,225	27%	15,225	—
Developing a new line of business and financing potential business collaboration and/or acquisition of companies	13,587	24%	13,587	—
Expanding market coverage	10,788	19%	10,788	—
Capturing larger design and fit out projects	6,840	12%	6,840	—
Increasing the effectiveness of marketing and brand recognition	4,860	8%	4,081	779
General working capital	5,700	10%	5,700	—
Total	57,000	100%	56,221	779

SUPPLEMENTARY INFORMATION (CONTINUED)

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 Board is aware that the Group is exposed to various risks and the principal risks and uncertainties are summarised 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 non-compliance, 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

The Company is not aware of any 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 2019 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 2020, there was no option outstanding, granted, cancelled, exercised or lapsed.

SUPPLEMENTARY INFORMATION (CONTINUED)

Details of the principal terms of the Share Option Scheme are set out in paragraph headed “13. Share Option Scheme” in section headed “Statutory and General Information” in Appendix IV to the prospectus dated 29 June 2016.

As at the date of this report, the total number of shares of the Company available for issue under the Scheme was 48,000,000 shares, representing approximately 6.8% of the number of issued share of the Company.

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

As at 30 June 2020, 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 associated corporation

Name of directors	Name of associated corporation	Capacity/Nature	No. of ordinary shares held	% of the issued voting shares of associated corporation
Mr. Wong Kang Man	ACE Architectural and Interior Design Limited	Interest in controlled corporation	3,500	35%

Save as disclosed above, as at 30 June 2020, 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.

SUPPLEMENTARY INFORMATION (CONTINUED)

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

As at 30 June 2020, 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 ordinary shares held	% of the Company's issued voting shares
Mr. Sun Fulin	Beneficial owner	144,000,000	20.37%
Climb Up Limited	Beneficial owner	115,000,000	16.27%
Mr. Wong Yu Ki Andy	Interest in controlled corporation	115,000,000	16.27%
Mr. Lam Leslie	Interest in controlled corporation	115,000,000	16.27%
Ms. To Kit Yan Yuki	Beneficial owner	112,000,000	15.84%

Save as disclosed above, as at 30 June 2020, 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/or Short Positions in Shares, Underlying Shares and Debentures of the Company or any Specified Undertaking of the Company or any other Associated Corporation" above, at no time during the six months ended 30 June 2020 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.

SUPPLEMENTARY INFORMATION (CONTINUED)

Directors' Interests in Competing Business

During the six months ended 30 June 2020, none of the directors, or any of their respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict of interests with the Group, save for the followings:

Mr. Wong Kang Man, an executive Director of the Company, is a director of ACE Architectural and Interior Design Limited ("ACE"), which is a non-wholly owned subsidiary of the Group and ACE is principally engaged in the interior design business in Hong Kong. Such company has been operating independently and the respective board composition of such company is different and separate. In this respect, coupled with the diligence of the Independent Non-executive Directors, the Group was capable of carrying on its business independently of, and at arm's length from, the business of such company.

Code on Corporate Governance Practices

During the six months ended 30 June 2020, 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.

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 2020.

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 2020.

SUPPLEMENTARY INFORMATION (CONTINUED)

Audit Committee

The Company established an audit committee on 15 June 2016 with written terms of reference (as adopted and amended on 31 December 2018) 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. The audit committee comprises three independent non-executive Directors, namely, Mr. Tse Chi Shing (Chairman), Mr. Tse Wai Hei and Mr. Tam Chak Chi. 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 interim report for the six months ended 30 June 2020.

As at the date of this report, the executive Directors are Mr. Lam Chung Ho, Alastair, Mr. Kwan Tek Sian and Mr. Wong Kang Man; and the independent non-executive Directors are Mr. Tse Chi Shing, Mr. Tse Wai Hei and Mr. Tam Chak Chi.