



# 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 2019  
中 期 報 告

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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.*

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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. In November 2017, the Group acquired 60% interest of Ace Architectural and Interior Design Limited ("ACE"), which is also engaged in the provision of interior design and fit out solutions. In June 2018, the Group completed the acquisition of 49% interest of Primo, which is principally engaged in the provision of interior design and fit out solutions, focusing on luxury residential, office and commercial segments 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 2019, the total revenue decreased by approximately 23.5% and the number of projects decreased by 14.3% over the same period in 2018, mainly attributable to delay of commencement of certain projects to the second half of 2019. As a result, the average revenue per project decreased by approximately 7.7% from the same period in 2018 to approximately HK\$1.2 million.

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 2019 respectively and their comparative figures:

### In terms of Number of Projects\*

	For the six months ended 30 June		
	2019	2018	Change
Design and fit out/Design only			
Office	26	35	(25.7%)
Commercial	12	7	71.4%
Residential	4	7	(42.9%)
Total	42	49	(14.3%)

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### In terms of Revenue\*

In HK\$' million	For the six months ended 30 June		
	2019	2018	Change
Design and fit out/Design only			
Office	19.0	57.7	(67.1%)
Commercial	28.6	0.7	3,985.7%
Residential	2.5	7.1	(64.8%)
<b>Total</b>	<b>50.1</b>	<b>65.5</b>	<b>(23.5%)</b>

### Average Revenue per Project\*

In HK\$' million	For the six months ended 30 June		
	2019	2018	Change
Revenue	50.1	65.5	(23.5%)
Number of projects	42	49	(14.3%)
Average revenue per project	1.2	1.3	(7.7%)

\* excluding those relating to maintenance and aftersales service

The Group continued to be awarded projects in 2019 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 2016 which will come online and contribute to the total revenue in the second half of 2019 and beyond. As at the date of this report, our Group has secured project contracts with a total contract sum of over HK\$92.2 million, for some of the works will commence in the third quarter of 2019.

Looking forward, the market condition and economic environment for the rest of 2019 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	
	2019	2018
Revenue	50.6	66.5
Gross Profit (Note 1)	7.8	16.1
Gross Profit Margin	15.4%	24.2%
Adjusted EBITDA (Note 2)	(5.2)	1.8
(Loss)/Profit for the period attributable to owners of the Company	(7.3)	0.3

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 2019, the Group's revenue decreased when compared to the same period in 2018. The Group's revenue amounted to approximately HK\$50.6 million, representing a decrease of approximately 24.0% from the same period in 2018, mainly driven by delay of commencement of certain projects to the second half of 2019.

The Group's gross profit for the six months ended 30 June 2019 amounted to approximately HK\$7.8 million, representing a decrease of approximately 51.8% over the same period in 2018. Gross profit margin decreased from approximately 24.2% to approximately 15.4%, which was mainly due to keen competition in the market and the relatively larger projects in commercial sector continued to contribute revenue in 2019, while the projects incurred additional subcontracting costs and resulted in a lower profit margin. However, the relatively larger projects enhanced the Group's reputation, maintained a competitive advantage in the market and achieved our business growth.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's total operating expenses (Note 3) for the six months ended 30 June 2019 were approximately HK\$14.8 million when compared to approximately HK\$15.3 million for the same period in 2018. The decrease in total operating expenses was mainly due to the decrease in advertisement and marketing expenditures.

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 2019, the Group's adjusted EBITDA represented losses of approximately HK\$5.2 million as compared to earnings of approximately HK\$1.8 million for the same period in 2018, mainly driven by the decrease in revenue and decline in the overall gross profit margin for the Group's business. The Group recorded a loss attributable to owners of the Company of approximately HK\$7.3 million for the six months ended 30 June 2019 when compared to a profit attributable to owners of the Company of approximately HK\$0.3 million for the same period in 2018. Besides the effect of decrease in revenue and decline in the overall gross profit margin as mentioned above, such change from profit to loss was mainly attributable to increase in finance cost due to the issuance of the promissory note by the Group in June 2018 and increase in interest expense on borrowings.

### 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 2019. As of 30 June 2019, the Group had cash and cash equivalents of approximately HK\$18.0 million (31 December 2018: approximately HK\$20.7 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 0.9 times as at 30 June 2019 (31 December 2018: approximately 1.8 times).

As at 30 June 2019, the Group had total liabilities of approximately HK\$85.5 million (31 December 2018: approximately HK\$105.3 million) which mainly comprise of trade and other payables, contract liabilities, borrowings and promissory note payable amounting to approximately HK\$83.8 million (31 December 2018: approximately HK\$105.3 million) and lease liabilities of approximately HK\$1.7 million (31 December 2018: Nil).

As at 30 June 2019, the gearing ratio, expressed as a percentage of non-current debt over net assets was approximately 2.9% (31 December 2018: 66.9%, which included the promissory note payable as non-current debt).



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The shares of the Company were listed on the GEM Board of the Stock Exchange on 12 July 2016. As at 30 June 2019, the Company's total number of issued shares was 595,000,000 (31 December 2018: 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.

### 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 2019.

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 2019, the Group did not have any pledged assets (31 December 2018: Nil).

### Contingent Liabilities and Capital Commitments

The Group did not have any significant contingent liabilities and capital commitments as at 30 June 2019 (31 December 2018: 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 2019 (2018: 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 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Significant Investments Held

As at 30 June 2019, the Group had investments in the following:

- Financial assets at fair value through other comprehensive income amounting to approximately HK\$1.6 million (31 December 2018: approximately HK\$1.6 million);
- Interest in an associate amounting to approximately HK\$57.9 million (31 December 2018: approximately HK\$61.1 million); and
- Financial assets at fair value through profit or loss amounting to approximately HK\$1.8 million (31 December 2018: approximately HK\$3.8 million).

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 2019.

### 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 2019.

### Employees and Remuneration Policies

As at 30 June 2019, the Group had 40 employees (31 December 2018: 43 employees, 30 June 2018: 41 employees), including the Directors. Total staff costs (including Directors' emoluments) were approximately HK\$9.8 million for the six months ended 30 June 2019 as compared to approximately HK\$9.6 million for the six months ended 30 June 2018.

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”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 June 2019 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 2019

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	4	15,893	32,921	50,564	66,499
Other income	5	28	93	204	169
Other (losses)/gains	6	(137)	(4,812)	72	(338)
Subcontracting and materials costs		(13,422)	(25,262)	(42,799)	(50,395)
Employee benefit expenses		(4,828)	(4,608)	(9,769)	(9,590)
Rental expenses		(91)	(587)	(234)	(1,188)
Other expenses	7	(2,330)	(2,306)	(4,764)	(4,530)
<b>Operating (loss)/profit</b>		<b>(4,887)</b>	<b>(4,561)</b>	<b>(6,726)</b>	<b>627</b>
Finance income	8	5	2	9	45
Finance costs		(1,363)	(85)	(2,166)	(85)
Share of profit of associate		272	144	15	144
(Loss)/profit before tax		<b>(5,973)</b>	<b>(4,500)</b>	<b>(8,868)</b>	<b>731</b>
Income tax credit/(expense)	9	3	451	—	(436)
<b>(Loss)/profit for the period</b>		<b>(5,970)</b>	<b>(4,049)</b>	<b>(8,868)</b>	<b>295</b>
<b>(Loss)/profit for the period attributable to:</b>					
Owners of the Company		<b>(4,363)</b>	<b>(3,968)</b>	<b>(7,268)</b>	<b>285</b>
Non-controlling interests		<b>(1,607)</b>	<b>(81)</b>	<b>(1,600)</b>	<b>10</b>
		<b>(5,970)</b>	<b>(4,049)</b>	<b>(8,868)</b>	<b>295</b>

## 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 2019

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Other comprehensive income/(expenses)</b>					
Items that will not be reclassified to profit or loss					
Gain/(loss) on change in the fair value of financial assets at the fair value through other comprehensive income		23	(12)	—	(151)
Other comprehensive income/(expenses) for the period, net of tax		23	(12)	—	(151)
<b>Total comprehensive (expenses)/income for the period, net of tax</b>		<b>(5,947)</b>	(4,061)	<b>(8,868)</b>	144
<b>Total comprehensive (expenses)/income for the period attributable to:</b>					
Owners of the Company		(4,340)	(3,980)	(7,268)	134
Non-controlling interests		(1,607)	(81)	(1,600)	10
		(5,947)	(4,061)	(8,868)	144
		HK cents	HK cents	HK cents	HK cents
<b>(Loss)/earnings per share</b>	11				
Basic		(0.73)	(0.80)	(1.22)	0.06
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 2019

	Notes	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	12	1,555	1,883
Right-of-use assets	13	4,200	—
Goodwill		2,436	2,436
Interests in associates		57,948	61,132
Financial assets at fair value through other comprehensive income		1,645	1,604
Rental deposits	14	699	261
		<b>68,483</b>	67,316
<b>Current assets</b>			
Trade and other receivables	14	26,642	25,875
Financial assets at fair value through profit or loss		1,806	3,792
Contract assets	15	28,473	54,312
Amount due from an associate		10	10
Current income tax recoverable		1,134	1,134
Cash and bank balances		18,006	20,681
		<b>76,071</b>	105,804
<b>Current liabilities</b>			
Trade and other payables	16	20,699	52,041
Contract liabilities	15	1,098	825
Borrowings		15,500	7,000
Promissory note payable	17	46,546	—
		<b>83,843</b>	59,866

## UNAUDITED INTERIM FINANCIAL INFORMATION (CONTINUED)

### Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2019

	Notes	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
<b>Net current (liabilities)/assets</b>		<b>(7,772)</b>	45,938
<b>Total assets less current liabilities</b>		<b>60,711</b>	113,254
<b>Non-current liabilities</b>			
Promissory note payable	17	—	45,390
Lease liabilities		<b>1,715</b>	—
<b>Net assets</b>		<b>58,996</b>	67,864
<b>Equity</b>			
Share capital	18	<b>5,950</b>	5,950
Reserves		<b>57,726</b>	64,994
Equity attributable to owners of the Company		<b>63,676</b>	70,944
Non-controlling interests		<b>(4,680)</b>	(3,080)
<b>Total equity</b>		<b>58,996</b>	67,864

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 2019

	Attributable to owners of the Company								Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Available-for- sale financial assets revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000	Non- controlling interest HK\$'000	
<b>At 1 January 2019</b>	<b>5,950</b>	<b>82,012</b>	<b>5,922</b>	<b>—</b>	<b>54</b>	<b>(22,994)</b>	<b>70,944</b>	<b>(3,080)</b>	<b>67,864</b>
Loss for the period	—	—	—	—	—	(7,268)	(7,268)	(1,600)	(8,868)
<b>Total comprehensive expense for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(7,268)</b>	<b>(7,268)</b>	<b>(1,600)</b>	<b>(8,868)</b>
<b>At 30 June 2019</b>	<b>5,950</b>	<b>82,012</b>	<b>5,922</b>	<b>—</b>	<b>54</b>	<b>(30,262)</b>	<b>63,676</b>	<b>(4,680)</b>	<b>58,996</b>
<b>At 1 January 2018, as originally presented</b>	4,800	65,337	5,922	421	—	12,164	88,644	(253)	88,391
Effect of application for HKFRS 9	—	—	—	(421)	421	—	—	—	—
<b>At 1 January 2018, as restated</b>	4,800	65,337	5,922	—	421	12,164	88,644	(253)	88,391
Profit for the period	—	—	—	—	—	285	285	10	295
<b>Other comprehensive expense</b>									
Loss on changes in fair value of financial assets at fair value through other comprehensive income	—	—	—	—	(151)	—	(151)	—	(151)
<b>Total comprehensive (expense)/income for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(151)</b>	<b>285</b>	<b>134</b>	<b>10</b>	<b>144</b>
Issue of shares for acquisition of associates	1,150	16,675	—	—	—	—	17,825	—	17,825
<b>At 30 June 2018</b>	<b>5,950</b>	<b>82,012</b>	<b>5,922</b>	<b>—</b>	<b>270</b>	<b>12,449</b>	<b>106,603</b>	<b>(243)</b>	<b>106,360</b>

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

## UNAUDITED INTERIM FINANCIAL INFORMATION (CONTINUED)

### Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Cash flows from operating activities</b>		
Net cash used in operations	(16,088)	(17,941)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(391)	(143)
Acquisition of an associate	—	(752)
Distributions received from associates	3,200	—
Purchase of financial assets at fair value through profit or loss	(1,574)	(12,768)
Proceeds from disposal of financial assets at fair value through profit or loss	3,669	11,418
Decrease in bank deposits with a maturity period over three months	—	30,000
Interest received	9	45
<b>Net cash generated from investing activities</b>	4,913	27,800
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	9,100	—
Repayment of borrowings	(600)	—
Repayment of promissory note	—	(2,250)
<b>Net cash generated from/(used in) financing activities</b>	8,500	(2,250)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(2,675)	7,609
Cash and cash equivalents at the beginning of period	20,681	27,949
<b>Cash and cash equivalents at the end of period</b>	18,006	35,558
Cash and bank balances	18,006	35,558

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.

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 2019 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”) and by the Hong Kong Companies Ordinance. The condensed consolidated interim financial information should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

Notwithstanding that the Group’s current liabilities at 30 June 2019, which include the promissory note payable amounted to HK\$46,546,000, exceeded the Group’s current assets at that date by HK\$7,772,000, the directors considered it appropriate for the preparation of the condensed consolidated financial statements on a going concern basis. Pursuant to the terms of the promissory note, the Company is entitled, at its sole discretion, to extend the maturity date of the promissory note from 19 June 2020 for two years. Under these circumstances, the directors of the Company are of the opinion that the Group is able to operate as a going concern for the foreseeable future.

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

## 3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, 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 2019:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures

Other than as explained below regarding the impact of HKFRS 16 "Leases", the application of other 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.

### HKFRS 16 Leases

#### Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities and other payables. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

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

## 3 Accounting policies (Continued)

### HKFRS 16 Leases (Continued)

#### Impacts on transition (Continued)

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

(a) *The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:*

	<b>Increase/ (decrease)</b> HK\$'000 (Unaudited)
<b>Assets</b>	
Increase in right-of-use assets	2,942
<b>Increase in total assets</b>	<b>2,942</b>
<b>Liabilities</b>	
Increase in trade and other payables	1,447
Increase in lease liabilities	1,495
<b>Increase in total liabilities</b>	<b>2,942</b>

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

## 3 Accounting policies (Continued)

### HKFRS 16 Leases (Continued)

#### Impacts on transition (Continued)

(b) *Nature of the effect of adoption of HKFRS 16*

The lease liabilities as at 1 January 2019 reconciled to the operating leases commitments as at 31 December 2018 is as follows:

	HK\$'000 (Unaudited)
<b>Operating lease commitments as at 31 December 2018</b>	
Weighted average incremental borrowing rate as at 1 January 2019	5.13%
Discounted operating lease commitments as at 1 January 2019	3,130
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019 and low-value assets	(188)
<b>Lease liabilities as at 1 January 2019</b>	<b>2,942</b>

#### Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

##### *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

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

## 3 Accounting policies (Continued)

### HKFRS 16 Leases (Continued)

#### Summary of new accounting policies (Continued)

##### *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

##### *Significant judgement in determining the lease term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

## 3 Accounting policies (Continued)

### HKFRS 16 Leases (Continued)

(c) Amounts recognised in the statement of financial position and profit or loss

	<b>Right-of-use assets</b> HK\$'000 (Unaudited)	<b>Lease liabilities and other payables</b> HK\$'000 (Unaudited)
As at 1 January 2019	2,942	2,942
Additions	2,195	2,101
Depreciation charge	(937)	—
Interest expense	—	82
Payments	—	(813)
As at 30 June 2019	4,200	4,312

## 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.

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

## 4 Revenue and segment information (Continued)

### 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Design and fit out	15,156	32,373	49,460	65,406
Design	445	143	645	185
Maintenance and aftersales services	292	405	459	908
	<b>15,893</b>	32,921	<b>50,564</b>	66,499

### 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Hong Kong	15,893	32,921	50,564	66,499

The Group's five largest customers accounted for approximately 68% (2018: 56%) of the Group's total revenue for the six months ended 30 June 2019.

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

## 5 Other income

	Three months ended 30 June		Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Dividend income on financial assets through other comprehensive income	20	21	61	57
Sundry income	8	72	143	112
	<b>28</b>	93	<b>204</b>	169

## 6 Other (losses)/gains

	Three months ended 30 June		Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
(Loss)/gain on change in fair value of financial assets at fair value through profit or loss				
– Net unrealised (loss)/gain on listed securities	(251)	(4,710)	358	(54)
– Net realised gain/(loss) on disposal on listed securities	156	—	(249)	(182)
	<b>(95)</b>	(4,710)	<b>109</b>	(236)
Foreign exchange losses, net	(5)	(5)	—	(5)
Loss on early redemption of promissory note	—	(97)	—	(97)
Loss on disposal of property, plant and equipment	(37)	—	(37)	—
	<b>(137)</b>	(4,812)	<b>72</b>	(338)

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

## 7 Other expenses

	Three months ended 30 June		Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Advertisement costs	7	508	26	533
Auditor's remuneration	225	192	464	492
Building management fee	57	80	106	118
Depreciation of property, plant and equipment (Note 12)	340	434	682	863
Depreciation of right-of-use assets (Note 13)	558	—	937	—
Donation	—	—	—	7
Legal and professional fees	341	268	981	865
Office relocation expenses	38	—	108	—
Impairment loss on trade receivables	303	96	303	96
Travelling and entertainment	230	319	745	733
Other operating expenses	231	409	412	823
	<b>2,330</b>	2,306	<b>4,764</b>	4,530

## 8 Finance income

	Three months ended 30 June		Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest income on bank deposits	5	2	9	45

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

## 9 Income tax (credit)/expense

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the six months ended 30 June 2019. 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current income tax	(3)	(410)	—	494
Deferred income tax	—	(41)	—	(58)
Income tax (credit)/expense	(3)	(451)	—	436

## 10 Dividends

No dividend has been paid or declared by the Company for the six months ended 30 June 2019 (2018: Nil).

## 11 (Loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit 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	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
(Loss)/profit attributable to owners of the Company (in HK\$'000)	(4,363)	(3,968)	(7,268)	285
Weighted average number of ordinary shares in issue ('000)	595,000	493,901	595,000	486,989
Basic (loss)/earnings per share (in HK cents)	(0.73)	(0.80)	(1.22)	0.06

No diluted (loss)/earnings per share is presented for the three months ended and six months ended 30 June 2019 and 2018, as there were no potential ordinary shares in issue during those periods.

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

## 12 Property, plant and equipment

During the period, the Group acquired items of property, plant and equipment with a cost of approximately HK\$391,000 (six months ended 30 June 2018: approximately HK\$143,000) and disposed items of property, plant and equipment with a cost of approximately HK\$596,000 (six months ended 30 June 2018: approximately HK\$190,000). Depreciation for items of property, plant and equipment was approximately HK\$682,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: approximately HK\$863,000).

## 13 Right-of-use assets

	30 June 2019 HK\$'000 (Unaudited)
At 1 January 2019	—
Recognition upon initial application of HKFRS 16	2,942
Additions	2,195
Depreciation provided for the period	(937)
At 30 June 2019	4,200

The right-of-use assets represent the Group's rights to use underlying leased premises under operating lease arrangements over the lease terms, which are stated at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability.

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

14 Trade and other receivables

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
Trade receivables	30,061	29,223
Less: Provision for impairment of trade receivables	(4,622)	(4,319)
Trade receivables, net	25,439	24,904
Prepayments, deposits and other receivables	1,902	1,232
	27,341	26,136
Less: non-current portion: rental deposit	(699)	(261)
Current portion	26,642	25,875

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 (after impairment loss recognised) based on invoice date were as follows:

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
<b>Overdue</b>		
1–30 days	3,407	3,814
31–60 days	360	915
More than 60 days	21,672	20,175
	25,439	24,904

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

## 14 Trade and other receivables (Continued)

As of 30 June 2019, trade receivables of approximately HK\$25,439,000 (31 December 2018: approximately HK\$24,904,000) 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.

## 15 Contract assets and contract liabilities

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
<b>Contract assets</b>		
Design and fit out services	28,008	54,272
Design services	465	40
	<b>28,473</b>	54,312

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
<b>Contract liabilities</b>		
Design and fit out services	1,098	825
	<b>1,098</b>	825

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)

16 Trade and other payables

	<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	As at 31 December 2018 HK\$'000 (Audited)
Trade payables	<b>17,078</b>	20,447
Accrued employee benefit expenses	<b>1,013</b>	1,697
Accruals and other payables	<b>11</b>	29,897
Lease liabilities	<b>2,597</b>	—
	<b>20,699</b>	52,041

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

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

	<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	As at 31 December 2018 HK\$'000 (Audited)
Within 1 month	<b>4,039</b>	4,523
1 to 2 months	<b>1,403</b>	438
2 to 3 months	<b>1,011</b>	504
Over 3 months	<b>10,625</b>	14,982
	<b>17,078</b>	20,447

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

## 17 Promissory note payable

	<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	As at 31 December 2018 HK\$'000 (Audited)
Promissory note payable		
– Issued on 20 June 2018	<b>46,546</b>	45,390
Analysed for reporting as:		
Non-current liabilities	—	45,390
Current liabilities	<b>46,546</b>	—
	<b>46,546</b>	45,390

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 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.

As at 30 June 2019, the promissory note with the principal amount of HK\$46,155,000 (31 December 2018: HK\$46,155,000) remained outstanding.

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

18 Share capital and share premium

Authorised share capital

	Number of ordinary shares '000	Nominal value of ordinary shares HK\$'000
As at 31 December 2018 (audited) and 30 June 2019 (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 31 December 2018 (audited) and 30 June 2019 (unaudited)	595,000	5,950	82,012

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

## 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:

	<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	As at 31 December 2018 HK\$'000 (Audited)
Not later than 1 year	—	1,741
Later than 1 year and no later than 5 years	—	1,529
	—	3,270

## 20 Contingent liabilities

The Group did not have any significant contingent liabilities as of 30 June 2019 (31 December 2018: Nil).

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

## 21 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Basic salaries and bonus	1,327	1,443	2,600	2,911
Pension costs — defined contribution plan	34	53	69	105
	<b>1,361</b>	1,496	<b>2,669</b>	3,016

## 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 2019:

#### 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 2019

- 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 subsidiary of the Group.
- On 20 June 2018, the Group completed the acquisition of 49% interest of Primo.

## SUPPLEMENTARY INFORMATION (CONTINUED)

### Business Plan

### Actual Business Progress up to 30 June 2019

- Expanding market coverage
  - Capturing larger design and fit out projects
  - Increasing the effectiveness of marketing and brand recognition
- 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.
  - Since 2017, the Group had paid out start-up costs to capture new larger design and fit out projects.
  - 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.

Due to the recent acquisitions of new companies in November 2017 and June 2018, 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 2019, 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 2019, 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%	1,941	2,919
General working capital	5,700	10%	5,700	—
<b>Total</b>	<b>57,000</b>	<b>100%</b>	<b>54,081</b>	<b>2,919</b>

### 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 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 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 2018 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 2019, there was no option outstanding, granted, cancelled, exercised or lapsed.

## SUPPLEMENTARY INFORMATION (CONTINUED)

### 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 2019, 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 director	Personal interest	Family interest	Corporate interests	Total interests in ordinary shares	Total interests in underlying shares	Aggregate interests	% of the Company's issued voting shares
Mr. Yau Chung Ping <sup>Note</sup>	—	—	144,004,000	144,004,000	—	144,004,000	24.2%

Note: The 144,004,000 shares are beneficially held by Legend Investments International Limited ("Legend Investments"), which is legally and beneficially owned as to 80% by Mr. Yau Chung Ping ("Mr. Yau"). Accordingly, Mr. Yau is deemed to be interested in 144,004,000 shares of the Company beneficially held by Legend Investments by virtue of the SFO. Mr. Yau is currently a director of Legend Investments.

## SUPPLEMENTARY INFORMATION (CONTINUED)

### (ii) 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. Yau Chung Ping	Legend Investments International Limited	Interest in controlled corporation	80	80%
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 2019, 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 2019, 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
Legend Investments International Limited	Beneficial owner	144,004,000	24.2%
Mr. Yau Chung Ping	Interest in controlled corporation	144,004,000	24.2%
Climb Up Limited	Beneficial owner	115,000,000	19.3%
Mr. Wong Yu Ki Andy	Interest in controlled corporation	115,000,000	19.3%
Mr. Lam Leslie	Interest in controlled corporation	115,000,000	19.3%

## SUPPLEMENTARY INFORMATION (CONTINUED)

Save as disclosed above, as at 30 June 2019, 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 2019 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.

### Directors' Interests in Competing Business

During the six months ended 30 June 2019, 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.

## SUPPLEMENTARY INFORMATION (CONTINUED)

### Code on Corporate Governance Practices

During the six months ended 30 June 2019, 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 2019.

### 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 2019.

### 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 2019.

As at the date of this report, the executive Directors are Mr. Yau Chung Ping, Mr. Lam Chung Ho, Alastair 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.