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AL Group

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 2021

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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 Statements	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 Statements	17
Supplementary Information	38

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’s business was established in 1999 under the name of AL Design & Associates Limited (“AL Design”), which is a well-established interior design and fit out solutions provider in Hong Kong. The Group believes that its success is firmly rooted in its extensive experience and portfolio in interior design and fit out works as well as project management. The Group’s services can be broadly 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 2021, the total revenue decreased by approximately 4.3% and the number of projects decreased by 31.6% over the same period in 2020, mainly attributable to delay of commencement of certain projects to the second half of 2021 and under the continuing negative effect of the outbreak of COVID-19. As a result, the average revenue per project increased by approximately 36.4% from the same period in 2020 to approximately HK\$1.5 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 2021 respectively and their comparative figures:

In terms of Number of Projects*

	For the six months ended 30 June		
	2021	2020	Change
Design and fit out/Design only			
Office	12	33	(63.6)%
Commercial	7	3	133.3%
Residential	7	2	250.0%
Total	26	38	(31.6)%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In terms of Revenue*

In HK\$' million	For the six months ended 30 June		
	2021	2020	Change
Design and fit out/Design only			
Office	26.7	38.2	(30.1)%
Commercial	9.2	1.8	411.1%
Residential	3.9	1.6	143.8%
Total	39.8	41.6	(4.3)%

Average Revenue per Project*

In HK\$' million	For the six months ended 30 June		
	2021	2020	Change
Revenue	39.8	41.6	(4.3)%
Number of projects	26	38	(31.6)%
Average revenue per project	1.5	1.1	36.4%

* excluding those relating to maintenance and aftersales service

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Financial Overview

In HK\$' million	For the six months ended 30 June	
	2021	2020
Revenue	40.3	41.9
Gross Profit (Note 1)	9.1	8.4
Gross Profit Margin	22.5%	20.0%
Adjusted EBITDA (Note 2)	(7.1)	(2.3)
Loss for the period attributable to owners of the Company	(10.4)	(25.0)

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, excluding written off and impairment loss on trade receivables, net, income tax, depreciation of property, plant and equipment and right-of-use assets and share of profit less loss of associates (2020: 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 2021, the Group's revenue decreased when compared to the same period in 2020. The Group's revenue amounted to approximately HK\$40.3 million, representing a decrease of approximately 4.0% from the same period in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's gross profit for the six months ended 30 June 2021 amounted to approximately HK\$9.1 million, representing an increase of approximately 8.3% over the same period in 2020. Gross profit margin increased from approximately 20.0% to approximately 22.5%. 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 2021. 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.

The Group's total operating expenses (Note 3) for the six months ended 30 June 2021 were approximately HK\$18.2 million when compared to approximately HK\$12.9 million for the same period in 2020. The increase in total operating expenses was mainly due to the increase in employee benefit expenses and advertising cost.

Note 3: The Group's total operating expenses represented the aggregate of employee benefit 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 2021, the Group's adjusted EBITDA amounted to approximately HK\$-7.1 million as compared to approximately HK\$-2.3 million for the same period in 2020, mainly driven by the combined effect of an increase in the overall gross profit for the Group's business and the increase in total operating expenses. The Group recorded a loss attributable to owners of the Company of approximately HK\$10.4 million for the six months ended 30 June 2021 when compared to a loss attributable to owners of the Company of approximately HK\$25.0 million for the same period in 2020. 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 in the same period in 2020, an increase in gain on change in fair value of financial assets at fair value through profit or loss for the six months ended 30 June 2021 when compared to the same period in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2021. As of 30 June 2021, the Group had cash and cash equivalents of approximately HK\$12.0 million (31 December 2020: approximately HK\$24.6 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 0.7 times as at 30 June 2021 (31 December 2020: approximately 1.3 times).

As at 30 June 2021, the Group had total liabilities of approximately HK\$120.5 million (31 December 2020: approximately HK\$111.6 million) which mainly comprise of trade and other payables, contract liabilities, amount due to non-controlling interests, lease liabilities and borrowings amounting to approximately HK\$70.7 million (31 December 2020: approximately HK\$63.5 million) and promissory note payable of approximately HK\$49.8 million (31 December 2020: HK\$48.1 million).

As at 30 June 2021, the gearing ratio, expressed as a percentage of interest-bearing debt (borrowings and promissory note payable) over total assets was 78.4% (31 December 2020:75.0%). The increase in gearing ratio was mainly resulted by the increase in carrying amount of the promissory note payable. 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 2021, the Company's total number of issued shares was 888,400,000 (31 December 2020: 872,400,000) 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 2021.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Pledge of Assets

As at 30 June 2021, the Group did not have any pledged assets (31 December 2020: 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 2021, the Group had paid a refundable deposit of HK\$588,000 (31 December 2020: HK\$588,000) 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\$1,960,000 (31 December 2020: HK\$1,960,000) which remained outstanding as at 30 June 2021. 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 2020: Nil) and any material capital commitments as at 30 June 2021 (31 December 2020: 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 2021 (2020: 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 2021.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Significant Investments Held

As at 30 June 2021, the Group held approximately HK\$1.7 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. Details of the significant listed equity investments are as follows:

	Notes	Place of incorporation	Gain 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 2021 %	Realised loss on investment HK\$'000
HSBC Holdings plc (0005.hk)	1	England	111	1,183	69.4	1.4	<0.01	—
Gain Plus Holdings Limited (9900.hk)	2	Cayman Islands	154	522	30.6	0.6	0.09	—
			265	1,705	100	1.9		—

Notes:

1. HSBC Holdings plc (HSBC) is the banking and financial services company. Dividend of approximately HK\$31,000 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 2021.

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 2021.

Employees and Remuneration Policies

As at 30 June 2021, the Group had 37 employees (31 December 2020: 40 employees, 30 June 2020: 38 employees), including the Directors. Total staff costs (including Directors’ emoluments) were approximately HK\$10.4 million for the six months ended 30 June 2021 as compared to approximately HK\$8.8 million for the six months ended 30 June 2020.

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.

Significant Event after the Reporting Period

Details of events after the reporting period are set out in Note 24 of the unaudited condensed consolidated interim financial statements. Save as disclosed elsewhere in this interim report, there was no significant event relevant to the business or financial performance of the Group that comes to the attention of the Directors after the six months ended 30 June 2021.

UNAUDITED INTERIM FINANCIAL STATEMENTS

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 2021 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 2021

	Notes	Three months ended 30 June		Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	4	22,426	15,176	40,268	41,925
Other income	5	204	345	294	436
Other gains/(losses)	6	80	(18,652)	493	(19,341)
Subcontracting and materials costs		(16,707)	(11,066)	(31,191)	(33,540)
Employee benefit expenses		(5,051)	(3,812)	(10,406)	(8,847)
Other expenses	7	(4,400)	(2,040)	(7,774)	(4,052)
Operating loss		(3,448)	(20,049)	(8,316)	(23,419)
Finance income	8	—	5	—	5
Finance costs		(1,432)	(1,421)	(2,790)	(2,593)
Share of loss of associates		(65)	(365)	(96)	(424)
Loss before tax		(4,945)	(21,830)	(11,202)	(26,431)
Income tax credit/(expense)	9	72	(7)	72	(7)
Loss for the period		(4,873)	(21,837)	(11,130)	(26,438)
Loss for the period attributable to:					
Owners of the Company		(4,468)	(21,172)	(10,405)	(25,028)
Non-controlling interests		(405)	(665)	(725)	(1,410)
		(4,873)	(21,837)	(11,130)	(26,438)

UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

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

For the three months/six months ended 30 June 2021

	Notes	Three months ended 30 June		Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 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		(17)	(210)	111	(650)
Other comprehensive (expenses)/income for the period, net of tax		(17)	(210)	111	(650)
Total comprehensive expenses for the period, net of tax		(4,890)	(22,047)	(11,019)	(27,088)
Total comprehensive expenses for the period attributable to:					
Owners of the Company		(4,485)	(21,382)	(10,294)	(25,678)
Non-controlling interests		(405)	(665)	(725)	(1,410)
		(4,890)	(22,047)	(11,019)	(27,088)
		HK\$	HK\$ (restated)	HK\$	HK\$ (restated)
Loss per share	11				
Basic		(0.05)	(0.32)	(0.12)	(0.40)
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 STATEMENTS (CONTINUED)

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	12	2,081	2,415
Right-of-use assets	13	2,267	1,445
Goodwill		1,115	1,115
Interests in associates		—	595
Financial assets at fair value through other comprehensive income		1,183	1,072
Rental and other deposits	14	389	100
		7,035	6,742
Current assets			
Trade and other receivables	14	32,309	24,236
Financial assets at fair value through profit or loss		522	368
Contract assets	15	31,916	29,228
Current income tax recoverable		423	423
Cash and bank balances		12,009	24,646
		77,179	78,901
Current liabilities			
Trade and other payables	16	38,808	36,519
Contract liabilities	15	8,998	4,498
Amount due to non-controlling interest		5,600	5,600
Borrowings		16,200	16,200
Income tax payable		91	91
Deferred income tax liabilities		47	119
Promissory note payable	17	49,826	—
		119,570	63,027

UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Net current (liabilities)/assets		(42,391)	15,874
Total assets less current liabilities		(35,356)	22,616
Non-current liabilities			
Promissory note payable	17	—	48,055
Lease liabilities		953	539
		953	48,594
Net liabilities		(36,309)	(25,978)
Equity			
Share capital	18	8,884	8,724
Reserves		(32,883)	(23,117)
Equity attributable to owners of the Company		(23,999)	(14,393)
Non-controlling interests		(12,310)	(11,585)
Total equity		(36,309)	(25,978)

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

UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the Company						Total	Non-controlling interest	Total
	Share capital	Share premium	Other reserve	Investment revaluation reserve	Share option reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2021	8,724	88,517	5,922	(579)	488	(117,465)	(14,393)	(11,585)	(25,978)
Loss for the period	—	—	—	—	—	(10,405)	(10,405)	(725)	(11,130)
Other comprehensive expense									
Loss on change in fair value of financial assets at fair value through other comprehensive income	—	—	—	111	—	—	111	—	111
Total comprehensive expense for the period	—	—	—	111	—	(10,405)	(10,294)	(725)	(11,019)
Issue of shares upon exercise of share options	160	866	—	—	(338)	—	688	—	688
At 30 June 2021	8,884	89,383	5,922	(468)	150	(127,870)	(23,999)	(12,310)	(36,309)
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)

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

UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Cash flows from operating activities			
Net cash (used in)/generated from operations		(12,105)	1,255
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,048)	—
Proceeds from disposal of property, plant and equipment		660	—
Acquisition of a subsidiary	20	—	1,436
Disposal of a subsidiary		(10)	—
Dividend income from equity investment at fair value through other comprehensive income		31	—
Proceeds from disposal of financial assets at fair value through profit or loss		—	1,012
Interest received		—	5
Net cash (used in)/generated from investing activities		(367)	2,453
Cash flows from financing activities			
Share issue expenses		—	(11)
Proceeds from borrowings		—	700
Finance costs paid		(47)	(57)
Payment of lease liabilities		(806)	(1,311)
Issue of shares		688	—
Net cash used in financing activities		(165)	(679)
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of period		(12,637)	3,029
		24,646	22,053
Cash and cash equivalents at the end of period		12,009	25,082
Analysis of cash and cash equivalents			
Cash and bank balances		12,009	25,082

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 STATEMENTS

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 Suite 807, 8/F, Harcourt House, 39 Gloucester Road, Wan Chai, 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 (the “Stock Exchange”).

These Unaudited Condensed Consolidated Interim Financial Statements 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

The Unaudited Condensed Consolidated Interim Financial Statements has been prepared on a going concern basis, notwithstanding the fact that the Group had net current liabilities of HK\$42,391,000 as at 30 June 2021. In the opinion of the directors, the Group is able to operate as a going concern and has sufficient working capital to finance its operations and to meet its financial obligations when they fall due for at least twelve months from the end of the reporting period after taking into consideration the following:

During the six months ended 30 June 2021, the Group announced for the proposed rights issue of 266,520,000 new shares of the Company on the basis of three new shares for every one existing share then held at the subscription price of HK\$0.27 per share (the “Rights Issue”). On 10 August 2021, an extraordinary general meeting was convened by the Company, under which the Rights Issue was duly passed by the shareholders of the Company. Upon completion of the Rights issue, which is expected to take place in September 2021, the Group will obtain net cash proceeds from issue of new shares of the Company estimated to be approximately HK\$69 million.

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

2 Basis of preparation (Continued)

Based on the above, the directors are satisfied that the Group will have sufficient cash resources to satisfy their future working capital and other financing requirements within the next twelve months from the end of the reporting period and it is appropriate to prepare the Unaudited Condensed Consolidated Interim Financial Statements on a going concern basis. Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the Unaudited Condensed Consolidated Interim Financial Statements to reduce the values of the assets to their net realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities to current assets and current liabilities respectively. No such adjustments were reflected in these Unaudited Condensed Consolidated Interim Financial Statements.

3 Principal accounting policies

The Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants as well as the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

The Unaudited Condensed Consolidated Interim Financial Statements have been prepared in the historical basis, except for certain financial instruments which are measured at fair value, as appropriate.

Except as described below, the principal accounting policies and methods of computation used in the Unaudited Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

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 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
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The application of new and amended standards effective in respect of the current period had not resulted in significant impact on the Group’s Unaudited Condensed Consolidated Interim Financial Statements. The Group has also not applied any new or amended standards that are not effective in respect of the current period.

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

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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Design and fit out	21,996	14,307	39,776	40,939
Design	49	706	49	706
Maintenance and aftersales services	381	163	443	280
	22,426	15,176	40,268	41,925

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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Hong Kong	22,426	15,176	40,268	41,925

The Group's five largest customers accounted for approximately 75% (2020: 56%) of the Group's total revenue for the six months ended 30 June 2021.

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

4 Revenue and segment information (Continued)

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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Customer A	5,880	—	13,720	—
Customer B	6,356	—	6,356	—
Customer C	2,564	—	4,134	—
Customer D	—	5,773	—	5,773
Customer E	—	—	—	4,679
Customer F	—	—	—	4,400
Customer G	—	—	—	4,364
Customer H	—	2,136	—	4,272

5 Other income

	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Dividend income from financial assets through other comprehensive income	31	—	31	—
Sundry income	173	345	263	436
	204	345	294	436

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

6 Other gains/(losses)

	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 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	(259)	510	154	(154)
– Net realised loss on disposal on listed securities	—	(478)	—	(478)
	(259)	32	154	(632)
Impairment loss on interests in associates	—	(17,325)	—	(17,325)
Impairment loss on trade receivables	(17)	(1,350)	(17)	(1,375)
Reversal of impairment loss on trade receivables	88	—	88	—
Gain/(loss) on disposal of subsidiary	53	(9)	53	(9)
Gain on disposal of property, plant and equipment	114	—	114	—
Gain on disposal of associate	101	—	101	—
	80	(18,652)	493	(19,341)

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

7 Other expenses

	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Advertisement costs	2,012	9	3,038	18
Auditor's remuneration	337	225	562	440
Building management fee	36	59	63	103
Depreciation of property, plant and equipment (Note 12)	358	222	836	487
Depreciation of right-of-use assets (Note 13)	439	653	844	1,286
Legal and professional fees	552	92	1,146	504
Travelling and entertainment	231	244	507	419
Other operating expenses	435	536	778	795
	4,400	2,040	7,774	4,052

8 Finance income

	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest income on bank deposits	—	5	—	5

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

9 Income tax (credit)/expense

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the six months ended 30 June 2021. 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current income tax expense	—	7	—	7
Deferred income tax credit	(72)	—	(72)	—
Income tax (credit)/expense	(72)	7	(72)	7

10 Dividends

No dividend has been paid or declared by the Company for the six months ended 30 June 2021 (2020: Nil).

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

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	
	2021 (Unaudited)	2020 (Unaudited) (restated)	2021 (Unaudited)	2020 (Unaudited) (restated)
Loss attributable to owners of the Company (in HK\$'000)	(4,468)	(21,172)	(10,405)	(25,028)
Weighted average number of ordinary shares in issue ('000)	88,840	66,146	88,540	62,823
Basic loss per share (in HK\$)	(0.05)	(0.32)	(0.12)	(0.40)

The weighted average number of ordinary shares for both of the periods represented is calculated after taking account of the effect arising from the share consolidation of the Company made subsequent to the end of the reporting period (Note 24).

Diluted loss per share

Diluted loss per share for the six months ended 30 June 2021 is not presented as the effects arising from exercise of the Company's share options granted are anti-dilutive. No diluted loss per share is presented for the six months ended 30 June 2020 as there were no potential ordinary shares in issue during that period.

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

12 Property, plant and equipment

During the period, the Group acquired items of property, plant and equipment with a cost of approximately HK\$1,048,000 (six months ended 30 June 2020: Nil) and disposed items of property, plant and equipment with a cost of approximately HK\$2,254,000 (six months ended 30 June 2020: Nil). Depreciation for items of property, plant and equipment was approximately HK\$836,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately HK\$487,000).

13 Right-of-use assets

During the period, the Group had additions right-of-use assets with a cost of approximately HK\$1,666,000 (six months ended 30 June 2020: Nil) and written off of right-of-use assets with a cost of approximately HK\$2,766,000 (six months ended 30 June 2020: Nil). Depreciation for items of right-of-use assets charged to profit or loss in respect of the six months ended 30 June 2021 amounted to approximately HK\$844,000 (six months ended 30 June 2020: approximately HK\$1,286,000).

14 Trade and other receivables

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Trade receivables	12,686	24,928
Less: Provision for impairment of trade receivables	(1,392)	(9,208)
Trade receivables, net	11,294	15,720
Prepayments, deposits and other receivables	21,404	8,616
	32,698	24,336
Less: non-current portion: rental and other deposits	(389)	(100)
Current portion	32,309	24,236

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

14 Trade and other receivables (Continued)

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 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
1–30 days	5,731	3,938
31–60 days	1,269	1,176
61–90 days	1	146
More than 90 days	4,293	10,460
	11,294	15,720

As of 30 June 2021, trade receivables of approximately HK\$11,294,000 (31 December 2020: approximately HK\$15,720,000) 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.

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

15 Contract assets and contract liabilities

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Contract assets		
Design and fit out services	39,148	36,428
Design services	13	45
	39,161	36,473
Less: Impairment loss on contract assets recognised	(7,245)	(7,245)
	31,916	29,228
	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Contract liabilities		
Design and fit out services	8,998	4,498
	8,998	4,498

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 STATEMENTS (CONTINUED)

16 Trade and other payables

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Trade payables	10,847	10,927
Accrued employee benefit expenses	1,752	1,288
Accrued interest on borrowings	4,124	3,162
Accrued interest on promissory note	2,769	2,769
Other accruals and payables	17,920	17,423
Lease liabilities	1,396	950
	38,808	36,519

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 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Within 1 month	770	2,918
1 to 2 months	729	790
2 to 3 months	1,036	113
Over 3 months	8,312	7,106
	10,847	10,927

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 STATEMENTS (CONTINUED)

17 Promissory note payable

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Promissory note payable	49,826	48,055
Analysed for reporting as:		
Non-current liabilities	—	48,055
Current liabilities	49,826	—
	49,826	48,055

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.

Pursuant to the terms of the promissory note, (i) the note is unsecured, carries interest at 3% per annum and is payable on 19 June 2020 (the "Initial Maturity Date"); (ii) 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; and (iii) 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, as valued by an external valuer, using the effective interest rate of 5.26% and on the basis that the promissory note was payable by the Company at the Initial Maturity Date of 19 June 2020.

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 2021, the promissory note with the principal amount of HK\$46,155,000 (31 December 2020: HK\$46,155,000) remained outstanding.

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

17 Promissory note payable (Continued)

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

	Six months ended 30 June 2021 HK\$'000 (Unaudited)	Year ended 31 December 2020 HK\$'000 (Audited)
At beginning of the period/year	48,055	47,782
Interest charge for the period/year	1,771	3,042
Interest included in payable included in trade and other payables	—	(2,769)
At end of the period/year	49,826	48,055

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 2020 (audited) and 30 June 2021 (unaudited)	10,000,000	100,000

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

18 Share capital and share premium (Continued)

Issued and fully paid share capital and share premium

	Issued and fully paid share capital		Share premium HK\$'000
	Number of ordinary shares '000	Nominal value of ordinary shares HK\$'000	
As at 1 January 2020 (audited)	595,000	5,950	82,012
Issue of shares on acquisition of a subsidiary	112,000	1,120	1,344
Issue of shares on placement of shares	141,400	1,414	3,818
Issue of shares on exercise of share options	24,000	240	1,354
Share issue expenses	—	—	(11)
As at 31 December 2020 (audited)	872,400	8,724	88,517
Issue of share on exercise of share options	16,000	160	866
As at 30 June 2021 (unaudited)	888,400	8,884	89,383

During the current period,

- (i) on 4 February 2021, the Company issued 16,000,000 shares on 4 February 2021 upon exercise of share options granted at the exercise price of HK\$0.043 per share, giving rise to a gross proceed of HK\$688,000. In respect of the share options exercised during the period, the closing share price at the date of exercise is HK\$0.053 and the closing share price at the date immediately before the exercise is HK\$0.051; and

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

18 Share capital and share premium (Continued)

Issued and fully paid share capital and share premium (Continued)

- (ii) on 7 June 2021, the Company announced for the following:
 - (a) proposed share consolidation on the basis of every ten issued and unissued existing shares of HK\$0.01 each into one consolidated share of HK\$0.1 each (the "Share Consolidation"); and
 - (b) proposed rights issue on the basis of three right shares for every one consolidated share at the subscription price of HK\$0.27 per rights share (the "Rights Issue").

19 Share Option Scheme

The Company's share option scheme (the "Scheme") was conditionally adopted pursuant to a resolution passed by its sole shareholder on 15 June 2016 and become unconditional on 12 July 2016 for the purpose of attracting and retaining the best available personnel, to provide additional incentive to selected participants, including directors and eligible employees of the Group to promote the success of the business of the Group. The Scheme became effective on 15 June 2016 for a period of 10 years.

The subscription price of the options granted is the highest of (i) the closing price of the Company's shares on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date offer of grant; (iii) the nominal value of the share.

The maximum number of shares of the Company which may be issued upon exercise of all options granted under the Scheme or other schemes adopted by the Company must not in aggregate exceed 30% of its issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Company must not exceed 10% of the shares in issue upon the date on which the shares are listed and permitted to be dealt in the Stock Exchange.

No share option was granted during the six months ended 30 June 2021 and 30 June 2020.

During the six months ended 31 December 2020, options to subscribe 48,000,000 shares at the exercise price of HK\$0.043 per share were granted and accepted by the grantees. These share options granted are fully exercisable at the date of acceptance.

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

19 Share Option Scheme (Continued)

Movements in the number of share options during the six months ended 30 June 2021 and the year ended 31 December 2020 are as follows:

	Weighted average exercise price HK\$	Number of share options		Total '000
		Employees '000	Others '000	
At 1 January 2020	—	—	—	—
Granted during the year	0.043	16,000	32,000	48,000
Exercised during the year	0.043	—	(24,000)	(24,000)
At 31 December 2020 (Audited)	0.043	16,000	8,000	24,000
Exercised during the period	0.043	(8,000)	(8,000)	(16,000)
At 30 June 2021 (Unaudited)	0.043	8,000	—	8,000
Exercisable at 30 June 2021	0.043	8,000	—	8,000
Exercisable at 31 December 2020	0.043	16,000	8,000	24,000

The exercise price and exercise period of the share options outstanding as at the end of the reporting period are as follows:

30 June 2021 Number of options '000	Exercise price per share HK\$	Exercise period
8,000	0.043	9 October 2020 to 8 October 2030
31 December 2020 Number of options '000	Exercise price per share HK\$	Exercise period
24,000	0.043	9 October 2020 to 8 October 2030

At the end of the reporting period, the Company had approximately 8,000,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the capital structure of the Company as at 30 June 2021, result in the issue of approximately 8,000,000 additional ordinary shares of the Company which would give rise to the total proceeds of HK\$344,000.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (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
<hr/>	
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)
<hr/>	
Total identifiable net assets acquired	1,349
<hr/>	

Goodwill arising on acquisition

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

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

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

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

22 Contingent liabilities

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 2021, the Group had paid a refundable deposit of HK\$588,000 (year ended 31 December 2020: HK\$588,000) 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 approximately HK\$1,960,000 (year ended 31 December 2020: HK\$1,960,000) which remained outstanding at the end of the reporting period. 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.

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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Basic salaries and bonus	690	715	1,412	1,236
Pension costs — defined contribution plan	12	15	24	24
	702	730	1,436	1,260

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

24 EVENTS AFTER THE END OF THE REPORTING PERIOD

The following events took place subsequent to the end of the reporting period.

- (i) During the current period, the Company announced for the proposed Share Consolidation and the proposed Rights Issue, as detailed in Note 18(ii). Subsequent to the end of the reporting period, an extraordinary meeting of the Company was convened on 10 August 2021, under which the proposed Share Consolidation and the proposed Rights Issue were duly passed by the shareholders of the Company. The Share Consolidation became effective on 12 August 2021 and completion of the Rights Issue has not taken place up to the date of approval of these Unaudited Condensed Consolidated Interim Financial Statements.
- (ii) Upon the Share Consolidation became effective on 12 August 2021, number of options and exercise price regarding the outstanding share options as referred to Note 19 were adjusted from 8,000,000 options to 800,000 options and HK\$0.043 per share to HK\$0.43 per share respectively, with the other terms remain unchanged, with effect from that date.

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 2021:

Business Plan

Actual Business Progress up to 30 June 2021

-
- | | |
|--|---|
| <ul style="list-style-type: none">— Recruiting high caliber talents and enhancing company strength | <ul style="list-style-type: none">— 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. |
| <ul style="list-style-type: none">— Developing a new line of business and financing potential business collaboration and/or acquisition of companies | <ul style="list-style-type: none">— The Group had hired one senior management member dedicated to the planning and execution of our Group's business expansion. Since 2016, 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 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 2021

— 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.

— 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 organisations 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 2021, the Group does not anticipate any change to the plan as to the use of listing proceeds.

As at 30 June 2021, 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%	4,860	—
General working capital	5,700	10%	5,700	—
Total	57,000	100%	57,000	—

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

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes of information of Directors since the publication of 2020 annual report of the Company and up to the date of this report were as follows:

On 18 June 2021, Mr. Wong Kang Man has retired from office upon the conclusion of the forthcoming Annual General Meeting pursuant to the bye-laws of the Company.

On 2 August 2021, Mr. Lam Chung Ho, Alastair ("Mr. Lam") has tendered his resignation as an executive Director and the Chairman of the Board of the Company. Subsequent to his resignation, Mr. Lam has ceased to be the chairman of the nomination committee of the Company.

Save for the information above, the Company is not aware of any other change in the directors' information which are required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules since the date of the 2020 annual report.

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 2021, 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 2021, 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
Climb Up Limited ("Climb up") ^(Note 1)	Beneficial owner	115,000,000	12.94%
Mr. Wong Yu Ki Andy ^(Note 1)	Interest in controlled corporation	115,000,000	12.94%
Mr. Lam Lesile ^(Note 1)	Interest in controlled corporation	115,000,000	12.94%
Ms. To Kit Yan Yuki	Beneficial owner	75,800,000	8.53%
Jantix management Limited ("Jantix management") ^(Note 2)	Beneficial owner	66,572,000	7.49%
Mr. Liu Yu Kin ^(Note 2)	Interest in controlled corporation	66,572,000	7.49%

Note 1: 115,000,000 shares are owned by Climb Up. Climb Up is a company incorporated in the British Virgin Islands with limited liability. The entire share capital of Climb Up is owned as to 50% by Mr. Wong Yu Ki Andy and 50% by Mr. Lam Lesile.

Note 2: 66,572,000 shares are owned by Jantix Management. Jantix Management is a company incorporated in Hong Kong with limited liability. The entire share capital of Jantix Management is owned as to 100% by Mr. Liu Yu Kin.

SUPPLEMENTARY INFORMATION (CONTINUED)

Save as disclosed above, as at 30 June 2021, 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 2021 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 2021, 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.

Code on Corporate Governance Practices

During the six months ended 30 June 2021, 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 2021.

SUPPLEMENTARY INFORMATION (CONTINUED)

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 2021.

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 2021.

As at the date of this report, the executive Directors is Mr. Kwan Tek Sian; and the independent non-executive Directors are Mr. Tse Chi Shing, Mr. Tse Wai Hei and Mr. Tam Chak Chi.