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AL Group Limited
利駿集團（香港）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8360)

**ANNOUNCEMENT OF INTERIM RESULTS FOR
THE SIX MONTHS ENDED 30 JUNE 2023**

The board (the “**Board**”) of directors (the “**Directors**”) of AL Group Limited (the “**Company**”) is pleased to announce the unaudited results of the Company and its subsidiaries (together as the “**Group**”) for the six months ended 30 June 2023.

This announcement, containing the full text of the 2023 interim report of the Group, complies with the relevant requirements of the Rules Governing the Listing of Securities on the GEM (“**GEM Listing Rules**”) of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcements of interim results. Printed version of the 2023 interim report of the Company containing the information required by the GEM Listing Rules will be dispatched to the shareholders of the Company in due course.

The Company’s interim results announcement is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the Company’s website at www.AL-Grp.com.

By order of the Board
AL Group Limited
Chan Hung Kai
Chairman and Executive Director

Hong Kong, 14 August 2023

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Chan Hung Kai (Chairman), Mr. Wong Kin Yeung and Mr. Kwan Tek Sian; and three independent non-executive Directors, namely, Mr. Tse Chi Shing, Mr. Tse Wai Hei and Mr. Tam Chak Chi.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the Stock Exchange’s website at <http://www.hkexnews.hk> for at least 7 days from the date of its publication and on the Company’s website at www.AL-Grp.com.

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

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, for the six months ended 30 June 2023, the revenue decreased by approximately 60.2%, and our number of projects decreased by 16.0% over 2022. As a result, the average revenue per project has decreased by approximately 52.9% over the same period in 2022 to approximately HK\$1.0 million.

Behind interior design and fit out service, the Group invest new business to expand into financial service industry and food and beverage industry, thereby bordering the revenue stream.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2023 respectively and their comparative figures:

In terms of Number of Projects*

	For the six months ended 30 June		
	2023	2022	Change
Design and fit out/Design only			
Office	16	16	0.0%
Commercial	1	10	(90.0)%
Residential	9	5	80.0%
Total	26	31	(16.0)%

In terms of Revenue*

In HK\$' million	For the six months ended 30 June		
	2023	2022	Change
Design and fit out/Design only			
Office	18.1	28.7	(36.9)%
Commercial	2.9	33.3	(91.3)%
Residential	4.6	2.3	100.0%
Total	25.6	64.3	(60.2)%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Average Revenue per Project*

In HK\$' million	For the six months ended 30 June		
	2023	2022	Change
Revenue	25.6	64.3	(60.2)%
Number of projects	26	31	(16.1)%
Average revenue per project	1.0	2.1	(52.9)%

* excluding those relating to maintenance and aftersales service

Financial Overview

In HK\$' million	For the six months ended 30 June	
	2023	2022
Revenue	27.3	64.8
Gross Profit (Note 1)	5.9	7.0
Gross Profit Margin	21.6%	10.9%
Adjusted EBITDA (Note 2)	(12.0)	(3.7)
Loss for the period attributable to owners of the Company	(12.3)	(5.0)

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 (2022: 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). 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 2023, the Group's revenue decreased when compared to the same period in 2022. The Group's revenue amounted to approximately HK\$27.3 million, representing a decrease of approximately 57.9% from the same period in 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's gross profit for the six months ended 30 June 2023 amounted to approximately HK\$5.9 million, representing a decreased of approximately 16.7% over the same period in 2022. Gross profit margin increased from approximately 10.9% to approximately 21.5%. The increase in gross profits margin was mainly due to in spite of the unstable economic condition and adverse business environment. During COVID-19 pandemic, there is a shortage of labour and increase in material cost.

The Group's total operating expenses (Note 3) for the six months ended 30 June 2023 were approximately HK\$20.4 million when compared to approximately HK\$12.0 million for the same period in 2022. 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 2023, the Group's adjusted EBITDA amounted to approximately HK\$-12.0 million as compared to approximately HK\$-3.7 million for the same period in 2022, mainly driven by the combined effect of a decrease in the overall gross profit for the Group's business and the decrease in total operating expenses. The Group recorded a loss attributable to owners of the Company of approximately HK\$12 million for the six months ended 30 June 2023 when compared to a loss attributable to owners of the Company of approximately HK\$5.0 million for the same period in 2022. Such change was mainly attributable to an increase on total operating expenses for the six months ended 30 June 2023 when compared to the same period in 2022.

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 2023. As of 30 June 2023, the Group had cash and cash equivalents of approximately HK\$10.8 million (31 December 2022: approximately HK\$12.2 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 0.8 times as at 30 June 2023 (31 December 2022: approximately 0.9 times).

As at 30 June 2023, the Group had total liabilities of approximately HK\$77.1 million (31 December 2022: approximately HK\$70.3 million) which mainly comprise of trade and other payables, contract liabilities, amount due to non-controlling interests, lease liabilities and borrowings.

As at 30 June 2023, the ratio, expressed as a percentage of interest-bearing debt over total assets was 36.0% (31 December 2022: 30.2%). The increase in gearing ratio was mainly resulted by the increase in carrying amount of the promissory note payable and convertible bond. 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 2023, the Company's total number of issued shares was 360,274,000 (31 December 2022: 360,274,000) at HK\$0.1 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 2023.

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 2023, the Group did not have any pledged assets (31 December 2022: 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 2023, the Group had paid a refundable deposit of HK\$179,000 (31 December 2022: HK\$966,000) 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\$299,000 (31 December 2022: HK\$1,610,000) which remained outstanding as at 30 June 2023. 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 2022: Nil) and any material capital commitments as at 30 June 2023 (31 December 2022: 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 2023 (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Significant Investments Held

As at 30 June 2023, the Group held approximately HK\$1.6 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:

			Gain on change in fair value	Market value	Approximate percentage of equity investment	Approximate percentage to the total asset	Approximate percentage to the interest in the respective investments as at 30 June 2023	Realised loss on investment
	Notes	Place of incorporation	HK\$'000	HK\$'000	%	%	%	HK\$'000
HSBC Holdings plc (0005.hk)	1	England	328	1,609	100.0	2.9	<0.01	-
Gain Plus Holdings Limited (9900.hk)	2	Cayman Islands	-	N/A	N/A	N/A	0.0	-
			328	1,609	100	1.8		-

Notes:

1. HSBC Holdings plc (HSBC) is the banking and financial services company. Dividend of approximately HK\$68,000 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 2023.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND FUTURE PLANS FOR MATERIAL INVESTMENTS

On 21 March 2023, a wholly-owned subsidiary of the Company, Inno Chase Limited (“Inno Chase”), entered into an agreement with Surich Capital Holdings Limited (“Surich Capital”), under which the Group has agreed to acquire 34% equity interest in Surich Asset Management Limited (“Surich Asset Management”), Surich Asset Management is principally engaged in the provision of advisory on securities and asset management services. Pursuant to the acquisition agreement, the aggregate consideration for the acquisition amounted to HK\$500,000, which was satisfied by issue of promissory note by the Company with the principal amount of HK\$500,000. Completion of the acquisition of 34% equity interest in Surich Asset Management took place on 21 March 2023. Details of the transaction were set out in the Company’s announcement dated 21 March 2023.

Save for the above acquisitions and as disclosed elsewhere in this report, there were no significant investments, material acquisitions or disposals of subsidiaries and affiliated companies during the period ended 30 June 2023.

Saved as disclosed in this report, there was no future plan for material investments or capital assets as at 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Employees and Remuneration Policies

As at 30 June 2023, the Group had 50 employees (31 December 2022: 33 employees, 30 June 2022: 33 employees), including the Directors. Total staff costs (including Directors' emoluments) were approximately HK\$13.1 million for the six months ended 30 June 2023 as compared to approximately HK\$8.5 million for the six months ended 30 June 2022.

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 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 2023 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 2023

	Notes	Three months ended 30 June		Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	4	16,865	38,606	27,278	64,812
Other income	5	819	82	826	245
Other gains/(losses), net	6	174	(768)	1,256	(768)
Subcontracting and materials costs		(13,031)	(36,559)	(21,414)	(57,774)
Employee benefit expenses		(9,425)	(4,583)	(13,124)	(8,491)
Other expenses	7	(4,413)	(1,232)	(7,232)	(3,547)
Operating loss		(9,011)	(4,454)	(12,410)	(5,523)
Finance costs		(462)	(202)	(797)	(397)
Loss before tax		(9,473)	(4,656)	(13,207)	(5,920)
Income tax expense	8	-	-	-	-
Loss for the period		(9,473)	(4,656)	(13,207)	(5,920)
Loss for the period attributable to:					
Owners of the Company		(9,233)	(3,428)	(12,322)	(5,023)
Non-controlling interests		(240)	(1,228)	(885)	(897)
		(9,473)	(4,656)	(13,207)	(5,920)

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 2023

	Notes	Three months ended 30 June		Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Gain on change in fair value of financial assets at fair value through other comprehensive income		205	125	328	125
Other comprehensive income for the period, net of tax		205	125	328	125
Total comprehensive expenses for the period, net of tax		(9,268)	(4,531)	(12,879)	(5,795)
Total comprehensive expenses for the period attributable to:					
Owners of the Company		(9,028)	(3,303)	(11,994)	(4,898)
Non-controlling interests		(240)	(1,228)	(885)	(897)
		(9,268)	(4,531)	(12,879)	(5,795)
		HK\$ cents	HK\$ cents	HK\$ cents	HK\$ cents
Loss per share	10				
Basic		(2.56)	(0.96)	(3.42)	(1.41)
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 2023

	Notes	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	2,401	1,444
Right-of-use assets	12	1,246	1,002
Goodwill		184	–
Financial assets at fair value through other comprehensive income		1,609	1,281
Rental and other deposits	13	277	106
		5,717	3,833
Current assets			
Inventories		975	–
Trade and other receivables	13	17,462	21,862
Contract assets	14	20,658	16,835
Amount due from non-controlling interests		617	5
Cash and bank balances		10,825	12,205
		50,537	50,907
Current liabilities			
Trade and other payables	15	41,577	39,407
Contract liabilities	14	6,824	5,563
Amount due to a shareholder	17	580	1,500
Amounts due to non-controlling interests		9,286	8,745
Borrowings		3,523	3,248
Bond payable		314	303
Current income tax payable		88	88
		62,192	58,854

UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2023

	Notes	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Net current liabilities		(11,655)	(7,947)
Total assets less current liabilities		(5,938)	(4,114)
Non-current liabilities			
Borrowings		11,460	11,460
Convertible bond	16	2,718	–
Promissory note payable		434	–
Lease liabilities		297	–
		(14,909)	(11,460)
Net liabilities		(20,847)	(15,574)
Equity			
Share capital	18	36,027	36,027
Reserves		(32,539)	(27,076)
Equity attributable to owners of the Company		3,488	8,951
Non-controlling interests		(24,335)	(24,525)
Total equity		(20,847)	(15,574)

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 2023

	Attributable to owners of the Company								Non-controlling interest HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Investment revaluation reserve HK\$'000	Share option reserve HK\$'000	Convertible bond reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
At 1 January 2023	36,027	134,917	5,922	(370)	150	-	(167,695)	8,951	(24,525)	(15,574)
Loss for the period	-	-	-	-	-	-	(12,322)	(12,322)	(885)	(13,207)
Other comprehensive expense										
Gain on change in fair value of financial assets at fair value through other comprehensive income	-	-	-	328	-	-	-	328	-	328
Total comprehensive expense for the period	-	-	-	328	-	-	(12,322)	(11,994)	(885)	(12,879)
Recognition of equity-settled share-based payments	-	-	-	-	4,297	-	-	4,297	-	4,297
Recognition of equity component of convertible bond (note 16)	-	-	-	-	-	2,234	-	2,234	-	2,234
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	463	463
Capital injection of a subsidiary	-	-	-	-	-	-	-	-	6	6
Capital contribution to a subsidiary from non-controlling interests	-	-	-	-	-	-	-	-	606	606
At 30 June 2023	36,027	134,917	5,922	(42)	4,447	2,234	(180,017)	3,488	(24,335)	(20,847)
At 1 January 2022	35,536	131,924	5,922	(414)	150	-	(149,784)	23,334	(21,593)	1,741
Loss for the period	-	-	-	-	-	-	(5,023)	(5,023)	(897)	(5,920)
Other comprehensive expense										
Gain on change in fair value of financial assets at fair value through other comprehensive income	-	-	-	125	-	-	-	125	-	125
Total comprehensive expense for the period	-	-	-	125	-	-	(5,023)	(4,898)	(897)	(5,795)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	22	22	(85)	(63)
At 30 June 2022	35,536	131,924	5,922	(289)	150	-	(154,785)	18,458	(22,575)	(4,117)

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 2023

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Cash flows from operating activities		
Net cash used in operations	(4,562)	(15,520)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,510)	(75)
Proceeds from disposal of property, plant and equipment	600	–
Acquisition of additional interest in a subsidiary	–	(63)
Acquisition of a subsidiary	285	–
Disposal of a subsidiary	448	–
Dividend income from equity investment at fair value through other comprehensive income	68	37
Proceeds from disposal of financial assets at fair value through profit or loss	–	541
Net cash (used in)/generated from investing activities	(109)	440
Cash flows from financing activities		
Decrease in amount due to a shareholder	(920)	–
Finance costs paid	(8)	(31)
Proceeds from issue of convertible bond, net of issue expenses	4,937	–
Proceed from borrowings	1,575	–
Repayment of borrowings	(1,300)	–
Payment of lease liabilities	(993)	(618)
Net cash generated from/(used in) financing activities	3,291	(649)

UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Net decrease in cash and cash equivalents	(1,380)	(15,729)
Cash and cash equivalents at the beginning of period	12,205	27,363
Cash and cash equivalents at the end of period	10,825	11,634
Analysis of cash and cash equivalents		
Cash and bank balances	10,825	11,634

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 22/F, China Hong Kong Tower, 8-12 Hennessy 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.

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

2 Basis of preparation

The Unaudited Condensed Interim Financial Statements has been prepared on a going concern basis, notwithstanding that the Group had net current liabilities and net liabilities of approximately HK\$11,655,000 and HK\$20,847,000 as at 30 June 2023 respectively. 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 to meet its financial obligations when they fall due for at least twelve months from the date of announcement of these condensed interim financial statements after taking into consideration the following:

- (a) The substantial shareholder of the Company, Mr. Lui Yu Kin, has agreed to provide financial support to the extent of HK\$7,500,000 to the Company, if required, to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future.
- (b) The executive director and Chairman of the Company, Mr. Chan Hung Kai, has agreed to provide financial support to the extent of HK\$7,500,000 to the Company, if required, to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future.
- (c) The Group is implementing various measures, such as optimising its overall sales network and undergoing effective cost control to improve the profit margin and operating cash flows of its business.
- (d) The Group will also continue to seek for other alternative financing and bank borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures.

Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying amounts of the Group's assets to their net realisable amounts, to provide for further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the condensed interim financial statements.

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

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 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

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 2023:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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 as follows:

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Design and fit out	15,681	38,212	25,618	64,328
Design	–	–	–	–
Maintenance and aftersales services	978	394	1,454	484
Others	206	–	206	–
	16,865	38,606	27,278	64,812

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

4 Revenue and segment information (Continued)

Revenue from major services (Continued)

Revenue from design and fit out services is recognised on over time basis and revenue from design and maintenance and aftersales services are recognised at point in time basis.

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Disaggregated by timing of revenue recognition within the scope of HKFRS 15				
Over time	15,887	38,212	25,824	64,328
At point in time	978	394	1,454	484
	16,865	38,606	27,278	64,812

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 for the period is as follows:

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

4 Revenue and segment information (Continued)

Geographical information (Continued)

Revenue from external customers

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Hong Kong	16,865	38,606	27,278	64,812

The Group's five largest customers accounted for approximately 56.97% (2022: 76%) of the Group's total revenue for the six months ended 30 June 2023.

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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Customer A	6,623	–	6,623	–
Customer B	–	–	2,995	–
Customer C	–	–	2,856	–
Customer D	–	16,229	–	26,692
Customer E	–	5,210	–	9,660
Customer F	–	5,100	–	–

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

5 Other income

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Dividend income from financial assets through other comprehensive income	68	37	68	37
Consultancy fee income	500	–	500	–
Sundry income	251	45	258	208
	819	82	826	245

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

6 Other gains/(losses), net

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Loss on change in fair value of financial assets at fair value through profit or loss				
– Net realised loss on disposal on listed securities	–	(115)	–	(115)
Impairment loss on trade receivables	(346)	(966)	(346)	(966)
Reversal of impairment loss on trade receivables	520	313	520	313
Gain on disposal of subsidiary (Note 21)	–	–	448	–
Gain on disposal of property, plant and equipment	–	–	634	–
	174	(768)	1,256	(768)

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

7 Other expenses

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Advertisement costs	2	129	8	235
Auditor's remuneration	245	250	480	495
Building management fee	417	26	458	77
Equity-settled share-based payments to consultants	62	–	62	–
Depreciation of property, plant and equipment (Note 11)	570	174	587	315
Depreciation of right-of-use assets (Note 12)	682	494	894	703
Legal and professional fees	613	128	1,378	393
Travelling and entertainment	362	27	1,220	325
Other operating expenses	1,460	4	2,145	1,004
	4,413	1,232	7,232	3,547

8 Income tax expense

No provision for Hong Kong profits tax for the six months ended 30 June 2023 and 30 June 2022 has been made in the condensed consolidated interim financial statements as the Group has no assessable profits both of these periods.

9 Dividends

No dividend has been paid or declared by the Company for the six months ended 30 June 2023 (2022: Nil).

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

10 Loss per share

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss for the period 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	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Loss attributable to owners of the Company (in HK\$'000)	(9,233)	(3,428)	(12,322)	(5,023)
Weighted average number of ordinary shares in issue ('000)	360,274	355,360	360,274	355,360
Basic loss per share (in HK cents)	(2.56)	(0.96)	(3.42)	(1.41)

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to equity shareholders of the Company and weighted average number of ordinary shares, as follows:

(i) Loss

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Loss for the purpose of basic loss per share	(9,233)	(3,428)	(12,322)	(5,023)
Adjustments for the calculation of diluted loss per share				
– exercise of share option	N/A	N/A	N/A	N/A
– interest on convertible bond	15	–	15	–
Loss for the purpose of diluted loss per share	N/A	N/A	N/A	N/A

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

10 Loss per share (Continued)

(b) Diluted loss per share (Continued)

(ii) Weighted average number of ordinary shares

	Three months ended 30 June		Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic loss per share ('000)	360,274	355,360	360,274	355,360
Effect of exercise of share options ('000)	10,066	343	7,594	255
Effect of conversion of convertible bond	57	–	57	–
Weighted average number of ordinary shares for the purpose of diluted loss per share ('000)	N/A	N/A	N/A	N/A

Diluted loss per share for the six months ended 30 June 2023 and 30 June 2022 are not presented as the effects arising from exercise of the Company's share options granted and conversion of convertible bond are anti-dilutive.

11 Property, plant and equipment

During the period, the Group acquired items of property, plant and equipment with a cost of approximately HK\$1,510,000 (six months ended 30 June 2022: approximately HK\$75,000) and disposed items of property, plant and equipment with the carrying amount of HK\$Nil (six months ended 30 June 2022: HK\$Nil). Depreciation for items of property, plant and equipment was approximately HK\$587,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately HK\$315,000).

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

12 Right-of-use assets

During the period, the Group had additions of right-of-use assets with a cost of approximately HK\$1,138,000 (six months ended 30 June 2022: HK\$Nil) and write off of right-of-use assets with the carrying amount of HK\$Nil (six months ended 30 June 2022: HK\$Nil). Depreciation for items of right-of-use assets charged to profit or loss in respect of the six months ended 30 June 2023 amounted to approximately HK\$894,000 (six months ended 30 June 2022: approximately HK\$703,000).

13 Trade and other receivables

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Trade receivables	5,660	10,302
Less: Provision for impairment of trade receivables	(562)	(736)
Trade receivables, net	5,098	9,566
Prepayments, deposits and other receivables	12,641	12,402
	17,739	21,968
Less: non-current portion: rental and other deposits	(277)	(106)
Current portion	17,462	21,862

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

13 Trade and other receivables (Continued)

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

The Group grants credit term from 0-60 days to certain 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 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
1–30 days	2,302	5,156
31–60 days	29	1,792
61–90 days	1,180	–
More than 90 days	1,587	2,618
	5,098	9,566

As of 30 June 2023, trade receivables of approximately HK\$5,020,000 (31 December 2022: approximately HK\$9,566,000) were past due but not considered to be impaired because management closely monitors the credit quality of these customers and is of the view that the customers are of good credit quality and there is no recent history of default regarding the relevant customers.

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

14 Contract assets and contract liabilities

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Contract assets		
Design and fit out services	21,065	17,242
Design services	218	218
	21,283	17,460
Less: Impairment loss on contract assets recognised	(625)	(625)
	20,658	16,835
	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Contract liabilities		
Design and fit out services	6,768	5,563
Others	56	–
	6,824	5,563

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance.

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

15 Trade and other payables

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Trade payables	7,796	6,620
Accrued employee benefit expenses	2,211	1,375
Accrued interest on amount due to a shareholder	60	45
Accrued interest on borrowings	2,428	1,706
Other accruals and payables	28,139	28,608
Lease liabilities	943	1,053
	41,577	39,407

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 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Within 1 month	124	2,090
1 to 2 months	150	–
2 to 3 months	3,752	150
Over 3 months	3,770	4,380
	7,796	6,620

The trade payables are non-interest bearing and are normally settled on terms of within 90 days.

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

16 Convertible bond

On 22 May 2023, the Company issued 3% convertible bond (the "Bond") due on 21 May 2030 with the aggregate principal amount of HK\$5,000,000 to a third party for a cash consideration of HK\$5,000,000. The Bond can be converted into ordinary shares of the Company at an initial conversion price of HK\$1.80 per share at the maturity date of 21 May 2030. The Company is entitled to redeem all or part of the Bond from the date of issue at the consideration which is equal to the principal amount of the bonds redeemed together with any accrued interest.

Under the terms of the Bond, unless previously redeemed, converted, or purchased and cancelled, the outstanding Bond is redeemed on 21 May 2030 at 100% of principal amount of the bonds together with accrued interest.

The Bond contains two components: liability and equity (the conversion right) elements. The fair value of the liability component and equity component at the date of issue was valued by an external valuer. The fair value of the liability component at the date of issue was estimated using the effective interest rate of approximately 5.314% per annum. The fair value of the equity component at the date of issue was valued using the Black-Scholes model. The inputs into the model are as follows:

Risk-free rate	3.26%
Expected volatility	25.00%
Expected life	7 years
Stock price of issue date	HK\$2.06
Conversion price	HK\$1.80

The risk-free rate was determined with reference to the Hong Kong Sovereign zero coupon yield with maturity matching that of the Bond.

The expected volatility was determined based on the issue day principle amount.

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

16 Convertible bond (Continued)

Movements of the liability component and equity component of the Bond for the period are set out below:

	Liability components HK\$'000	Equity components HK\$'000	Total HK\$'000
Fair value of Bond at date of issue	2,737	2,263	5,000
Transaction costs incurred for issue of Bond	(34)	(29)	(63)
Carrying amount at date of issue	2,703	2,234	4,937
Imputed interest charge for the period	15	–	15
At 30 June 2023	2,718	2,234	4,952
At 31 December 2022	–	–	–

17 Amount due to a shareholder

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Amount due to Mr. Lui Yu Kin	580	1,500

The amount due to the shareholder is unsecured, carries interest at 5% per annum and is repayable on demand.

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

18 Share capital and share premium

Authorised share capital

	Number of ordinary shares	Nominal value of ordinary shares
	'000	HK\$'000
At 1 January 2022 (audited), 31 December 2022 (audited) and 30 June 2023 (unaudited)	1,000,000	100,000

Issued and fully paid share capital and share premium

	Issued and fully paid share capital		
	Number of ordinary shares	Nominal value of ordinary shares	Share premium
	'000	HK\$'000	HK\$'000
As at 1 January 2022 (audited)	355,360	35,536	131,924
Issue of shares on placement of shares	4,914	491	3,096
Share issue expenses	–	–	(103)
As at 31 December 2022 (audited) and 30 June 2023 (unaudited)	360,274	36,027	134,917

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

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.

(a) Share Option 2020

During the year 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 (the "Share Option 2020"). 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)

(a) Share Option 2020 (Continued)

Movements in the number of share options during the six months ended 30 June 2023 and the year ended 31 December 2022 are as follows:

	Weighted average exercise price	Number of share options		
	price	Employees	Others	Total
	HK\$	'000	'000	'000
At 1 January 2022 (Audited),				
31 December 2022 (Audited)				
and 30 June 2023 (Unaudited)	0.363	947	–	947

The exercise price and exercise period of the share options outstanding as at 30 June 2023 and 31 December 2022 are as follows:

Number of options	Exercise price per share	Exercise period
'000	HK\$	
947	0.363	9 October 2020 to 8 October 2030

No share option was granted during the six months ended 30 June 2022.

(b) Share Option (2023)

During the six months ended 30 June 2023, options to subscribe 21,930,000 shares at the exercise price of HK\$1.10 per share was granted and accepted by the grantees (the "Share Option 2023"). 21,600,000 share options granted are fully exercisable at the date of acceptance and 330,000 share options granted are fully exercisable from 19 January 2026.

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

19 Share Option Scheme (Continued)

(b) Share Option (2023) (Continued)

Movements in the number of share options during the six months ended 30 June 2023 and the year ended 31 December 2022 are as follows:

	Weighted average exercise price	Number of share options		
	HK\$	Employees '000	Others '000	Total '000
At 1 January 2022 (Audited) and 31 December 2022 (Audited)	–	–	–	–
Granted during the period	1.100	21,600	516	22,116
Cancelled during the period	1.100	–	(186)	(186)
At 30 June 2023 (Unaudited)	1.100	21,600	330	21,930
Exercisable at 30 June 2023	1.100	21,600	330	21,930
Exercisable at 31 December 2022	–	–	–	–

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

30 June 2023	Exercise price per share	Exercise period
Number of options '000		
330	1.100	19 January 2026 to 18 January 2033
21,600	1.100	19 January 2023 to 18 January 2033

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

19 Share Option Scheme (Continued)

(b) Share Option (2023) (Continued)

Inputs into the model	Options granted on 19 January 2023
Risk-free rate	2.94%
Expected volatility	25.00%
Dividend yield	0.00%
Expected life of options (year)	10
Share price of the Company's shares (HK\$ per share)	1.030

No other feature of the options granted was incorporated into the measurement of fair value.

Equity-settled share-based payments amounted to approximately HK\$4,297,000 has been recognised in profit or loss in respect of the current period regarding to share options granted by the Company.

At the end of the reporting period, the Company had approximately 22,877,000 (31 December 2022: 947,000) share options outstanding under the Scheme, which represents approximately 6.35% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the capital structure of the Company as at 30 June 2023, result in the issue of approximately 22,877,000 (31 December 2022: 947,000) additional ordinary shares of the Company which would give rise to the total proceeds of approximately HK\$24,467,000 (31 December 2022: HK\$344,000).

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

20 Acquisition of subsidiary

On 21 March 2023, a wholly-owned subsidiary of the Company, Inno Chase Limited (“Inno Chase”), entered into an agreement with Surich Capital Holdings Limited (“Surich Capital”), under which the Group has agreed to acquire 34% equity interest in Surich Asset Management Limited (“Surich Asset Management”), Surich Asset Management is principally engaged in the provision of advisory on securities and asset management services. Pursuant to the acquisition agreement, the aggregate consideration for the acquisition amounted to HK\$500,000, which was satisfied by issue of promissory note by the Company with the principal amount of HK\$500,000. Completion of the acquisition of 34% equity interest in Surich Asset Management took place on 21 March 2023.

The cost of acquisition of 34% equity interest in Surich Asset Management was estimated to be HK\$423,000 at date of acquisition as valued by an external valuer using the effective interest rate of 11.80% per annum.

Pursuant to the agreement entered into between Inno Chase and Surich Capital, (a) the board of directors of Surich Asset Management comprises three directors and the Group’s entitled to nominate two representatives as the directors of Surich Asset Management; and (b) the business operations of Surich Asset Management decided by the board of directors on simple majority basis. Management of the Company is of the view that the Group can control over Surich Asset Management, accordingly, the acquisition of Surich Asset Management has been accounted for as acquisition of business using the acquisition method.

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

20 Acquisition of subsidiary (Continued)

The effect of the acquisition is summarised as follows:

Consideration transferred:

	HK\$'000
Issue of promissory note at fair value	423

The acquisition-related costs are insignificant and are included in other expenses.

	HK\$'000
Assets acquired and liabilities recognised at the date of acquisition	
Trade and other receivables	631
Cash and bank balances	285
Amount due to non-controlling interest	(78)
Accruals	(44)
Contract liabilities	(92)
Total identifiable net assets acquired	702

The trade and other receivables acquired had gross contractual amount of approximate HK\$631,000. No contractual cash flows from the receivables are expected not to be collected.

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

20 Acquisition of subsidiary (Continued)

Goodwill arising on acquisition

	HK\$'000
Consideration paid	423
Plus: non-controlling interest	463
Less: recognised amounts of net assets acquired	(702)
Goodwill arising on acquisition	184

Goodwill arose on the acquisition of Surich Asset Management because the acquisition may provide an opportunity for the Group to expand its foothold in the financial service industry and broaden its revenue stream.

An analysis of cash flows in respect of the acquisition of Surich Asset Management is as follows:

	HK\$'000
Cash and bank balances acquired	285
Net inflow of cash and cash equivalents	285

Had the acquisition been completed on 1 January 2023, revenue for the six months ended 30 June 2023 of the Group would have been HK\$27,504,000 and loss for the period of the Group would have been HK\$16,038,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would be achieved had the acquisition been completed on 1 January 2023, nor is it intended to be a projection of those results.

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

21 Disposal of subsidiary

On 13 March 2023, the Company disposed of 100% equity interest in a subsidiary, Legacy Infinity Global Asset Management Limited ("Legacy Infinity"), for an aggregate cash consideration approximately HK\$639,000. Legacy Infinity is principally engaged in the provision of insurance brokerage.

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

	HK\$'000
Cash and bank balances	89
Net assets disposed of	89

Gain on disposal of subsidiary

	HK\$'000
Cash consideration	639
Less: costs in connection with the disposal	(102)
Net assets disposed of	(89)
Gain on disposal of subsidiary (Note 6)	448

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

	HK\$'000
Net cash consideration received	537
Cash and bank balances disposed of	(89)
Net cash flows from disposal of subsidiary	448

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 2023, the Group had paid a refundable deposit of HK\$179,000 (year ended 31 December 2022: HK\$966,000) 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\$299,000 (year ended 31 December 2022: HK\$1,610,000) 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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Basic salaries and bonus	1,254	1,427	2,496	2,822
Pension costs — defined contribution plan	48	36	96	72
	1,302	1,463	2,592	2,894

SUPPLEMENTARY INFORMATION

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.

SUPPLEMENTARY INFORMATION (CONTINUED)

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 2022 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 maximum entitlement of each eligible participant under the Share Option Scheme in any 12-month period up to the date of offer to grant shall not exceed 1% of the Shares in issue as at the date of offer to grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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.

SUPPLEMENTARY INFORMATION (CONTINUED)

On 19 January 2023, the Company granted 22,116,000 share options to 21 eligible persons of the Group (the "Grantees", including two directors of the Company) to subscribe for a total of 22,116,000 new ordinary shares of HK\$0.01 each in the share capital of the Company under the share option scheme adopted by the Company, subject to the acceptance of the Grantees and the payment of HK\$1.00 by each of the Grantees upon acceptance of the share options. The share options accepted by the grantees entitle the holders thereof to subscribe for the new ordinary shares of the Company at the subscription price of HK\$1.10 per share. On 15 February 2023, the Company announced for the cancellation of 186,000 share options (the "Cancelled Share Options"), which was granted to eight external service providers. Upon the cancellation of the Cancelled Share Options, the share options granted on 19 January 2023 has been adjusted to 21,930,000, which, upon full exercise, will result in the issue of 21,930,000 new ordinary shares of the Company, representing approximately 6.1% of the total number shares of the Company in issue at the date of the announcement regarding the Cancelled Share Options.

Among the total of 21,930,000 Share Options granted, a total of 7,200,000 Share Options were granted to the following Directors of the Company:

Name of Grantees	Position in the Group	Number of Share Options
Directors		
Mr. Chan Hung Kai	Executive Director and Chairman	3,600,000
Mr. Wong Kin Yeung	Executive Director	3,600,000
		7,200,000

As at 30 June 2023 and the date of this report, the total number of shares of the Company available for issue under the Scheme was 22,877,200 shares, representing approximately 6.35% of the number of issued share of the Company.

Apart from the aforesaid Share Option Schemes, at no time during the period ended 30 June 2023 was the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such rights.

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 2023, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which are required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code to be notified to the Company and the Stock Exchange, were as follows:

Long positions in Shares and underlying shares of the Company:

Name of Directors	Capacity	Number of Shares held	Number of Options held	Total	Percentage of the Company's issue share as at 30 June 2023 (%)
Chan Hung Kai	Beneficial owner	16,469,200	3,600,000	20,069,200	5.57
	Interest of spouse	39,600 (Note 1)	–	39,600	0.01
Wong Kin Yeung	Beneficial Owner	–	3,600,000	3,600,000	1.00

Note:

- (1) 39,600 shares are owned by Ms. Sze Yee Fun Louisa, who is the spouse of Mr. Chan Hung Kai.

SUPPLEMENTARY INFORMATION (CONTINUED)

Saved as disclosed above, as at 30 June 2023, none of the Directors and chief executives of the Company had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) as required to be recorded in the register required to be kept by the Company pursuant to Sections 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to Rule 5.67 of the GEM Listing Rules.

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

So far as the Directors are aware, as at 30 June 2023, other than the Directors or chief executives of the Company whose interests or short positions are disclosed under the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and Its Associated Corporations" above, the following parties have interest or short position in the shares or underlying shares of the Company which have to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, and who were expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

Long Positions in Shares and Underlying Shares of the Company

Name of shareholder	Capacity/ Nature of interests	Number of ordinary shares	Percentage of the Company's issue share capital as at 30 June 2023
Lui Yu Kin	Beneficial owner	72,252,000	20.05%

SUPPLEMENTARY INFORMATION (CONTINUED)

Saved as disclosed above, as at 30 June 2023, the Directors were not aware of any other person (other than the Directors or chief executives as disclosed in the paragraph headed “Directors’ and Chief Executives’ Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and Its Associated Corporations” above) who had, or deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

Directors’ Interests in Competing Business

During the six months ended 30 June 2023, 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 2023, 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 2023.

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 2023.

SUPPLEMENTARY INFORMATION (CONTINUED)

Audit Committee

The Company established an audit committee on 15 June 2016 with written terms of reference (as adopted and amended on 31 December 2018) in compliance with Rule 5.28 of the GEM Listing Rules and the CG Code as set out in Appendix 15 to the GEM Listing Rules. The audit committee comprises three independent non-executive Directors, namely, Mr. Tse Chi Shing (Chairman), Mr. Tse Wai Hei and Mr. Tam Chak Chi. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the internal control procedures of our Company.

The audit committee has reviewed the accounting principles and practices adopted by the Group and has discussed with the management regarding the auditing and financial reporting matters. The audit committee has discussed and reviewed the unaudited financial information and the interim report for the six months ended 30 June 2023.

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