

TM

AL Group

AL GROUP LIMITED
利駿集團(香港)有限公司
(incorporated in the Cayman Islands with limited liability)

Stock Code : 8360

**INTERIM
REPORT
2022**



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

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MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

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 2022, the total revenue increased by approximately 61.7% and the number of projects increased by 19.2% over the same period in 2021. The average revenue per project increased by approximately 40% from the same period in 2021 to approximately HK\$2.1 million.

The tables below summarised the number of on-going and completed projects and revenue, by type of service and customer, and the average revenue per project during the six months ended 30 June 2022 respectively and their comparative figures:

In terms of Number of Projects*

| | For the six months ended 30 June | | |
|--------------------------------|----------------------------------|------|---------|
| | 2022 | 2021 | Change |
| Design and fit out/Design only | | | |
| Office | 16 | 12 | 33.3% |
| Commercial | 10 | 7 | 42.9% |
| Residential | 5 | 7 | (28.6)% |
| Total | 31 | 26 | 19.2% |

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In terms of Revenue*

| In HK\$' million | For the six months ended 30 June | | |
|--------------------------------|----------------------------------|-------------|--------------|
| | 2022 | 2021 | Change |
| Design and fit out/Design only | | | |
| Office | 28.7 | 26.7 | 7.5% |
| Commercial | 33.3 | 9.2 | 262.0% |
| Residential | 2.3 | 3.9 | (41.0)% |
| Total | 64.3 | 39.8 | 61.6% |

Average Revenue per Project*

| In HK\$' million | For the six months ended 30 June | | |
|-----------------------------|----------------------------------|------|--------|
| | 2022 | 2021 | Change |
| Revenue | 64.3 | 39.8 | 61.6% |
| Number of projects | 31 | 26 | 19.2% |
| Average revenue per project | 2.1 | 1.5 | 40.0% |

* 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 | |
|---|----------------------------------|--------|
| | 2022 | 2021 |
| Revenue | 64.8 | 40.3 |
| Gross Profit (Note 1) | 7.0 | 9.1 |
| Gross Profit Margin | 10.9% | 22.5% |
| Adjusted EBITDA (Note 2) | (3.7) | (7.1) |
| Loss for the period attributable to owners of the Company | (5.0) | (10.4) |

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 (2021: 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 2022, the Group's revenue increased when compared to the same period in 2021. The Group's revenue amounted to approximately HK\$64.8 million, representing an increase of approximately 60.8% from the same period in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's gross profit for the six months ended 30 June 2022 amounted to approximately HK\$7.0 million, representing a decreased of approximately 23.1% over the same period in 2021. Gross profit margin decreased from approximately 22.5% to approximately 10.9%. The decrease 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 2022 were approximately HK\$12.0 million when compared to approximately HK\$18.2 million for the same period in 2021. The decrease in total operating expenses was mainly due to the decrease 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 2022, the Group's adjusted EBITDA amounted to approximately HK\$-3.7 million as compared to approximately HK\$-7.1 million for the same period in 2021, 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\$5.0 million for the six months ended 30 June 2022 when compared to a loss attributable to owners of the Company of approximately HK\$10.4 million for the same period in 2021. Despite the effect of decrease in the overall gross profit mentioned above, such change was mainly attributable to a decrease of finance cost on promissory note payable in the same period in 2021, a decrease on total operating expenses for the six months ended 30 June 2022 when compared to the same period in 2021.

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 2022. As of 30 June 2022, the Group had cash and cash equivalents of approximately HK\$11.6 million (31 December 2021: approximately HK\$27.4 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 0.99 times as at 30 June 2022 (31 December 2021: approximately 1.1 times).

As at 30 June 2022, the Group had total liabilities of approximately HK\$80.0 million (31 December 2021: approximately HK\$63.8 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 2022, the gearing ratio, expressed as a percentage of interest-bearing debt over total assets was 19.3% (31 December 2021: 22.3%). The decrease in gearing ratio was mainly resulted by the decrease 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 2022, the Company's total number of issued shares was 355,360,000 (31 December 2021: 355,360,000) 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 2022.

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 2022, the Group did not have any pledged assets (31 December 2021: 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 2022, the Group had paid a refundable deposit of HK\$Nil (31 December 2021: 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\$Nil (31 December 2021: HK\$1,960,000) which remained outstanding as at 30 June 2022. 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 2021: Nil) and any material capital commitments as at 30 June 2022 (31 December 2021: 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 2022 (2021: 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 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Significant Investments Held

As at 30 June 2022, the Group held approximately HK\$1.4 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 2022 | Realised loss on investment |
|---|-------|---------------------------|------------------------------------|-----------------|--|---|--|-----------------------------------|
| | Notes | Place of incorporation | HK\$'000 | HK\$'000 | % | % | % | HK\$'000 |
| HSBC Holdings plc (0005.hk) | 1 | England | 125 | 1,362 | 100.0 | 1.8 | <0.01 | – |
| Gain Plus Holdings Limited (9900.hk) | 2 | Cayman Islands | – | N/A | N/A | N/A | 0.0 | 114.8 |
| | | | 125 | 1,362 | 100 | 1.8 | | 114.8 |

Notes:

1. HSBC Holdings plc (HSBC) is the banking and financial services company. Dividend of approximately HK\$37,000 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 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2022.

Employees and Remuneration Policies

As at 30 June 2022, the Group had 33 employees (31 December 2021: 31 employees, 30 June 2021: 37 employees), including the Directors. Total staff costs (including Directors' emoluments) were approximately HK\$8.5 million for the six months ended 30 June 2022 as compared to approximately HK\$10.4 million for the six months ended 30 June 2021.

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 2022 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 2022

| | Notes | Three months ended 30 June | | Six months ended 30 June | |
|---|-------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Revenue | 4 | 38,606 | 22,426 | 64,812 | 40,268 |
| Other income | 5 | 82 | 204 | 245 | 294 |
| Other (losses)/gains, net | 6 | (768) | 80 | (768) | 493 |
| Subcontracting and materials costs | | (36,559) | (16,707) | (57,774) | (31,191) |
| Employee benefit expenses | | (4,583) | (5,051) | (8,491) | (10,406) |
| Other expenses | 7 | (1,232) | (4,400) | (3,547) | (7,774) |
| Operating loss | | (4,454) | (3,448) | (5,523) | (8,316) |
| Finance costs | | (202) | (1,432) | (397) | (2,790) |
| Share of loss of associates | | – | (65) | – | (96) |
| Loss before tax | | (4,656) | (4,945) | (5,920) | (11,202) |
| Income tax credit | 8 | – | 72 | – | 72 |
| Loss for the period | | (4,656) | (4,873) | (5,920) | (11,130) |
| Loss for the period attributable to: | | | | | |
| Owners of the Company | | (3,428) | (4,468) | (5,023) | (10,405) |
| Non-controlling interests | | (1,228) | (405) | (897) | (725) |
| | | (4,656) | (4,873) | (5,920) | (11,130) |

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 2022

| | Notes | Three months ended 30 June | | Six months ended 30 June | |
|--|-------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Other comprehensive income/(expenses) | | | | | |
| Items that will not be reclassified to profit or loss | | | | | |
| Gain/(Loss) on change in the fair value of financial assets at the fair value through other comprehensive income | | 125 | (17) | 125 | 111 |
| Other comprehensive income/(expenses) for the period, net of tax | | 125 | (17) | 125 | 111 |
| Total comprehensive expenses for the period, net of tax | | (4,531) | (4,890) | (5,795) | (11,019) |
| Total comprehensive expenses for the period attributable to: | | | | | |
| Owners of the Company | | (3,303) | (4,485) | (4,898) | (10,294) |
| Non-controlling interests | | (1,228) | (405) | (897) | (725) |
| | | (4,531) | (4,890) | (5,795) | (11,019) |
| | | HK\$ | HK\$ | HK\$ | HK\$ |
| Loss per share | 10 | | | | |
| Basic | | (0.01) | (0.05) | (0.01) | (0.12) |
| 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 2022

| | Notes | 30 June 2022 HK\$'000 (Unaudited) | 31 December 2021 HK\$'000 (Audited) |
|--|-------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | 11 | 1,448 | 1,688 |
| Right-of-use assets | 12 | 863 | 1,566 |
| Goodwill | | 1,115 | 1,115 |
| Financial assets at fair value through other comprehensive income | | 1,362 | 1,237 |
| Rental and other deposits | 13 | – | 389 |
| | | 4,788 | 5,995 |
| Current assets | | | |
| Trade and other receivables | 13 | 35,295 | 21,021 |
| Financial assets at fair value through profit or loss | | – | 656 |
| Contract assets | 14 | 24,116 | 9,567 |
| Amount due from non-controlling interest | | – | 476 |
| Current income tax recoverable | | – | 423 |
| Cash and bank balances | | 11,634 | 27,363 |
| | | 71,045 | 59,506 |
| Current liabilities | | | |
| Trade and other payables | 15 | 52,197 | 32,070 |
| Contract liabilities | 14 | 7,456 | 11,155 |
| Amount due to non-controlling interest | | 5,600 | 5,600 |
| Borrowings | | 6,106 | 6,106 |
| Current income tax payable | | 91 | 91 |
| | | 71,450 | 55,022 |

UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2022

| | Notes | 30 June 2022 HK\$'000 (Unaudited) | 31 December 2021 HK\$'000 (Audited) |
|--|-------|--|--|
| Net current (liabilities)/assets | | (405) | 4,484 |
| Total assets less current liabilities | | 4,383 | 10,479 |
| Non-current liabilities | | | |
| Borrowings | | 8,500 | 8,500 |
| Lease liabilities | | – | 238 |
| | | 8,500 | 8,738 |
| Net (liabilities)/assets | | (4,117) | 1,741 |
| Equity | | | |
| Share capital | 16 | 35,536 | 35,536 |
| Reserves | | (17,078) | (12,202) |
| Equity attributable to owners of the Company | | 18,458 | 23,334 |
| Non-controlling interests | | (22,575) | (21,593) |
| Total equity | | (4,117) | 1,741 |

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 2022

| | Attributable to owners of the Company | | | | | | | Non-controlling interest | Total |
|---|---------------------------------------|----------------|---------------|--------------------------------|----------------------|--------------------|-----------------|--------------------------|-----------------|
| | Share capital | Share premium | Other reserve | Investment revaluation reserve | Share option reserve | Accumulated losses | Total | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| 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) |
| 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 | | | | | | | | | |
| Gain 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) |

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 2022

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Cash flows from operating activities | | |
| Net cash used in operations | (15,520) | (12,105) |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (75) | (1,048) |
| Proceeds from disposal of property, plant and equipment | – | 660 |
| Acquisition of additional interest in a subsidiary | (63) | – |
| Disposal of a subsidiary | – | (10) |
| Dividend income from equity investment at fair value through other comprehensive income | 37 | 31 |
| Proceeds from disposal of financial assets at fair value through profit or loss | 541 | – |
| Net cash generated from/(used in) investing activities | 440 | (367) |
| Cash flows from financing activities | | |
| Finance costs paid | (31) | (47) |
| Payment of lease liabilities | (618) | (806) |
| Issue of shares | – | 688 |
| Net cash used in financing activities | (649) | (165) |

UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2022

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Net decrease in cash and cash equivalents | (15,729) | (12,637) |
| Cash and cash equivalents at the beginning of period | 27,363 | 24,646 |
| Cash and cash equivalents at the end of period | 11,634 | 12,009 |
| Analysis of cash and cash equivalents | | |
| Cash and bank balances | 11,634 | 12,009 |

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2 Basis of preparation

The Unaudited Condensed Interim Financial Statements has been prepared on a going concern basis, notwithstanding the fact that the Group had net current liabilities and net liabilities of HK\$405,000 and HK\$4,117,000 as at 30 June 2022 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 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.
- (b) 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 expenditure.

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 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

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 2022:

| | |
|----------------------|--|
| HKFRS 3 (Amendments) | Reference to the Conceptual Framework |
| HKAS 16 (Amendments) | Property, Plant and Equipment – Proceeds before Intended Use |
| HKAS 37 (Amendments) | Onerous Contracts – Cost of Fulfilling a Contract |
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2018-2020 |

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 | |
|-------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Design and fit out | 38,212 | 21,996 | 64,328 | 39,776 |
| Design | – | 49 | – | 49 |
| Maintenance and aftersales services | 394 | 381 | 484 | 443 |
| | 38,606 | 22,426 | 64,812 | 40,268 |

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

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

4 Revenue and segment information (Continued)

Geographical information

The Group's operations are located in Hong Kong.

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

Revenue from external customers

| | Three months ended 30 June | | Six months ended 30 June | |
|-----------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Hong Kong | 38,606 | 22,426 | 64,812 | 40,268 |

The Group's five largest customers accounted for approximately 76% (2021: 75%) of the Group's total revenue for the six months ended 30 June 2022.

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 | |
|------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Customer A | 16,229 | – | 26,692 | – |
| Customer B | 5,210 | – | 9,660 | – |
| Customer C | 5,100 | – | – | – |
| Customer D | – | 5,880 | – | 13,720 |
| Customer E | – | 6,356 | – | 6,356 |
| Customer F | – | 2,564 | – | 4,134 |

5 Other income

| | Three months ended 30 June | | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Dividend income from financial assets through other comprehensive income | 37 | 31 | 37 | 31 |
| Sundry income | 45 | 173 | 208 | 263 |
| | 82 | 204 | 245 | 294 |

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

6 Other (losses)/gains, net

| | Three months ended 30 June | | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) | 2021 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) | – | 154 |
| – Net realised loss on disposal on listed securities | (115) | – | (115) | – |
| | (115) | (259) | (115) | 154 |
| Impairment loss on trade receivables | (966) | (17) | (966) | (17) |
| Reversal of impairment loss on trade receivables | 313 | 88 | 313 | 88 |
| Gain on disposal of subsidiary | – | 53 | – | 53 |
| Gain on disposal of property, plant and equipment | – | 114 | – | 114 |
| Gain on disposal of associate | – | 101 | – | 101 |
| | (768) | 80 | (768) | 493 |

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

7 Other expenses

| | Three months ended 30 June | | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Advertisement costs | 129 | 2,012 | 235 | 3,038 |
| Auditor's remuneration | 250 | 337 | 495 | 562 |
| Building management fee | 26 | 36 | 77 | 63 |
| Depreciation of property, plant and equipment (Note 11) | 174 | 358 | 315 | 836 |
| Depreciation of right-of-use assets (Note 12) | 494 | 439 | 703 | 844 |
| Legal and professional fees | 128 | 552 | 393 | 1,146 |
| Travelling and entertainment | 27 | 231 | 325 | 507 |
| Other operating expenses | 4 | 435 | 1,004 | 778 |
| | 1,232 | 4,400 | 3,547 | 7,774 |

8 Income tax credit

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits for the six months ended 30 June 2022. 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 | |
|----------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Deferred income tax credit | – | (72) | – | (72) |
| Income tax credit | – | (72) | – | (72) |

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

9 Dividends

No dividend has been paid or declared by the Company for the six months ended 30 June 2022 (2021: Nil).

10 Loss per share

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 | |
|--|----------------------------|---------------------|--------------------------|---------------------|
| | 2022 (Unaudited) | 2021 (Unaudited) | 2022 (Unaudited) | 2021 (Unaudited) |
| Loss attributable to owners of the Company (in HK\$'000) | (3,428) | (4,468) | (5,023) | (10,405) |
| Weighted average number of ordinary shares in issue ('000) | 355,360 | 88,840 | 355,360 | 88,540 |
| Basic loss per share (in HK\$) | (0.01) | (0.05) | (0.01) | (0.12) |

Diluted loss per share

Diluted loss per share for the six months ended 30 June 2022 and 30 June 2021 are not presented as the effects arising from exercise of the Company's share options granted are anti-dilutive.

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

11 Property, plant and equipment

During the period, the Group acquired items of property, plant and equipment with a cost of approximately HK\$75,000 (six months ended 30 June 2021: approximately HK\$1,048,000) and disposed items of property, plant and equipment with a cost of approximately HK\$Nil (six months ended 30 June 2021: approximately HK\$2,254,000). Depreciation for items of property, plant and equipment was approximately HK\$315,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately HK\$836,000).

12 Right-of-use assets

During the period, the Group had additions right-of-use assets with a cost of approximately HK\$Nil (six months ended 30 June 2021: approximately HK\$1,666,000) and written off of right-of-use assets with a cost of approximately HK\$Nil (six months ended 30 June 2021: approximately HK\$2,766,000). Depreciation for items of right-of-use assets charged to profit or loss in respect of the six months ended 30 June 2022 amounted to approximately HK\$703,000 (six months ended 30 June 2021: approximately HK\$844,000).

13 Trade and other receivables

| | As at 30 June 2022 HK\$'000 (Unaudited) | As at 31 December 2021 HK\$'000 (Audited) |
|--|--|---|
| Trade receivables | 13,259 | 13,217 |
| Less: Provision for impairment of trade receivables | (1,315) | (662) |
| Trade receivables, net | 11,944 | 12,555 |
| Prepayments, deposits and other receivables | 23,351 | 8,855 |
| | 35,295 | 21,410 |
| Less: non-current portion: rental and other deposits | – | (389) |
| Current portion | 35,295 | 21,021 |

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 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 2022 HK\$'000 (Unaudited) | As at 31 December 2021 HK\$'000 (Audited) |
|-------------------|--|---|
| 1–30 days | 4,683 | 8,677 |
| 31–60 days | 904 | 1,649 |
| 61–90 days | 4,576 | 140 |
| More than 90 days | 1,781 | 2,089 |
| | 11,944 | 12,555 |

As of 30 June 2022, trade receivables of approximately HK\$11,944,000 (31 December 2021: approximately HK\$12,555,000) 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)

14 Contract assets and contract liabilities

| | As at 30 June 2022 HK\$'000 (Unaudited) | As at 31 December 2021 HK\$'000 (Audited) |
|-----------------------------|--|---|
| Contract assets | | |
| Design and fit out services | 23,898 | 9,349 |
| Design services | 218 | 218 |
| | 24,116 | 9,567 |
| | | |
| | As at 30 June 2022 HK\$'000 (Unaudited) | As at 31 December 2021 HK\$'000 (Audited) |
| Contract liabilities | | |
| Design and fit out services | 7,456 | 11,155 |
| | 7,456 | 11,155 |

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)

15 Trade and other payables

| | As at 30 June 2022 HK\$'000 (Unaudited) | As at 31 December 2021 HK\$'000 (Audited) |
|-----------------------------------|--|---|
| Trade payables | 19,526 | 12,087 |
| Accrued employee benefit expenses | 1,196 | 1,367 |
| Accrued interest on borrowings | 621 | 674 |
| Other accruals and payables | 29,901 | 16,559 |
| Lease liabilities | 953 | 1,383 |
| | 52,197 | 32,070 |

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 2022 HK\$'000 (Unaudited) | As at 31 December 2021 HK\$'000 (Audited) |
|----------------|--|---|
| Within 1 month | 179 | 4,897 |
| 1 to 2 months | 1,083 | 578 |
| 2 to 3 months | 185 | 410 |
| Over 3 months | 18,079 | 6,202 |
| | 19,526 | 12,087 |

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 Share capital and share premium

Authorised share capital

| | Number of ordinary shares '000 | Nominal value of ordinary shares HK\$'000 |
|---|--------------------------------------|--|
| At 1 January 2021 (audited) | 10,000,000 | 100,000 |
| Share consolidation | (9,000,000) | – |
| At 31 December 2021 (audited) and 30 June 2022 (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 '000 | Nominal value of ordinary shares HK\$'000 | Share premium HK\$'000 |
| As at 1 January 2021 (audited) | 872,400 | 8,724 | 88,517 |
| Issue of shares on exercise share options | 16,000 | 160 | 866 |
| Share consolidation | (799,560) | – | – |
| Issue of shares on rights issue | 266,520 | 26,652 | 45,308 |
| Share issue expenses | – | – | (2,767) |
| As at 31 December 2021 (audited) and 30 June 2022 (unaudited) | 355,360 | 35,536 | 131,924 |

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

17 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 2022 and 30 June 2021.

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. These share options granted are fully exercisable at the date of acceptance.

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

17 Share Option Scheme (Continued)

Movements in the number of share options during the six months ended 30 June 2022 and the year ended 31 December 2021 are as follows:

| | Weighted average exercise price HK\$ | Number of share options | | |
|---|--|-------------------------|----------------|---------------|
| | | Employees '000 | Others '000 | Total '000 |
| At 1 January 2021 | 0.043 | 16,000 | 8,000 | 24,000 |
| Exercised during the year | 0.043 | (8,000) | (8,000) | (16,000) |
| Adjustment made for the share consolidation | | (7,200) | – | (7,200) |
| Adjustment made for the rights issue | | 147 | – | 147 |
| At 31 December 2021 (Audited) and 30 June 2022 (Unaudited) | 0.363 | 947 | – | 947 |
| Exercisable at 30 June 2022 | 0.363 | 947 | – | 947 |
| Exercisable at 31 December 2021 | 0.363 | 947 | – | 947 |

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

17 Share Option Scheme (Continued)

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

| 30 June 2022 | | | |
|--------------------------|---------------------------------|--|-------------------------------------|
| Number of options | Exercise price per share | | Exercise period |
| '000 | HK\$ | | |
| 947 | 0.363 | | 9 October 2020 to 8 October 2030 |
| 31 December 2021 | | | |
| Number of options | Exercise price per share | | Exercise period |
| '000 | HK\$ | | |
| 947 | 0.363 | | 9 October 2020 to 8 October 2030 |

At the end of the reporting period, the Company had approximately 947,000 (31 December 2021: 947,000) 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 2022, result in the issue of approximately 947,000 (31 December 2021: 947,000) additional ordinary shares of the Company which would give rise to the total proceeds of HK\$344,000 (31 December 2021: HK\$344,000).

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

18 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 2022, the Group had paid a refundable deposit of HK\$Nil (year ended 31 December 2021: 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\$Nil (year ended 31 December 2021: 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.

19 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 | |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Basic salaries and bonus | 1,427 | 690 | 2,822 | 1,412 |
| Pension costs — defined contribution plan | 36 | 12 | 72 | 24 |
| | 1,463 | 702 | 2,894 | 1,436 |

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 2022:

Business Plan

Actual Business Progress up to 30 June 2022

- | | |
|---|---|
| <ul style="list-style-type: none">— Recruiting high caliber talents and enhancing company strength — 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 several senior management members and general staff members in the departments of sales and marketing, design, project management, finance and administration since 2016 to cope with our business expansion.— The Group continued to offer competitive remuneration packages to retain the best available talents in order to achieve the positive growth of the Company.— The Group had replaced the computer equipment and upgraded the finance and design software. — The Group had hired one senior management member dedicated to the planning and execution of our Group's business expansion. Since 2016, the Group had made a few business trips to pitch for new business opportunities.— On 6 November 2017, the Group acquired 60% interest of ACE Architectural and Interior Design Limited ("ACE"), as a result ACE is a non-wholly owned subsidiary of the Group.— On 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 2022

— 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 2022, the Group does not anticipate any change to the plan as to the use of listing proceeds.

SUPPLEMENTARY INFORMATION (CONTINUED)

As at 30 June 2022, 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.

SUPPLEMENTARY INFORMATION (CONTINUED)

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 2021 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 2021 annual report.

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 2022, none of the directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the standards of dealing by directors as referred to in Rule 5.48 to 5.67 of the GEM Listing Rules.

SUPPLEMENTARY INFORMATION (CONTINUED)

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

As at 30 June 2022, 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.

Save as disclosed above, as at 30 June 2022, 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.

SUPPLEMENTARY INFORMATION (CONTINUED)

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 2022 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 2022, 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 2022, 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 2022.

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 2022.

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 2022.

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.