

AL GROUP LIMITED
利駿集團(香港)有限公司

(incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 8360

TM
**Your
Space
Matters**

AL Group

超越空間 創意無限

ANNUAL REPORT
年度報告 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the "Directors") of AL Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (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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CORPORATE INFORMATION

Executive Directors

Mr. Yau Chung Ping (*Chief Executive Officer*)
Ms. Sz Kit
Ms. Wu Kar Wai (resigned on 10 March 2017)

Non-executive Director

Mr. Wong Kang Man
(appointed on 10 March 2017)

Independent Non-executive Directors

Mr. Lau Chun Wah, Davy (*Chairman*)
Ms. Lee Hau Yan, Hannah
Mr. Tse Chi Shing (appointed on 12 January 2017)
Mr. Neo Sei Lin, Christopher
(resigned on 12 January 2017)

Audit Committee

Ms. Lee Hau Yan, Hannah (*Chairlady*)
Mr. Lau Chun Wah, Davy
Mr. Tse Chi Shing (appointed on 12 January 2017)
Mr. Neo Sei Lin, Christopher
(resigned on 12 January 2017)

Remuneration Committee

Mr. Tse Chi Shing (*Chairman*)
(appointed on 12 January 2017)
Ms. Lee Hau Yan, Hannah
Mr. Yau Chung Ping
Mr. Neo Sei Lin, Christopher
(resigned on 12 January 2017)

Nomination Committee

Mr. Tse Chi Shing (*Chairman*)
(appointed on 10 March 2017)
Mr. Lau Chun Wah, Davy
Mr. Wong Kang Man
(appointed on 10 March 2017)
Mr. Neo Sei Lin, Christopher
(resigned on 12 January 2017)
Ms. Wu Kar Wai (resigned on 10 March 2017)

Company Secretary

Mr. Ng Chit Sing

Authorized Representatives

Mr. Yau Chung Ping
Ms. Sz Kit

Compliance Officer

Mr. Yau Chung Ping

Registered Office

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

CORPORATE INFORMATION (CONTINUED)

Principal Place of Business in Hong Kong

Unit A, 35/F., EGL Tower
83 Hung To Road, Kwun Tong
Kowloon, Hong Kong

Independent Auditors

PricewaterhouseCoopers

Legal Advisor

Robertsons

Compliance Advisor

VBG Capital Limited

Principal Banker

The Bank of East Asia, Limited
Wing Lung Bank

Principal Share Registrar and Transfer Office

Codan Trust Company (Cayman) Limited*
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

* to be renamed as Conyers Trust Company (Cayman) Limited with effect from 1 April 2017

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Stock Code

8360

Company Website

www.AL-Grp.com



CEO's STATEMENT

“

With our listing behind us, we have embarked on our next phase of growth to run the next league of our journey. We will utilize the resources as a public company to recruit high caliber talents and to enhance our Group's strength, and will continue to explore opportunities for new line(s) of business and/or business collaboration/acquisition.

”



Dear Shareholders,

Our behalf of the board of directors (the "Board") of AL Group Limited (the "Company"), I am pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016.

Our Group's business was established since 1999 under the name of AL Design, which is a well-established interior design and fit out solutions provider in Hong Kong. We believe our success is firmly rooted in our extensive experience and portfolio in interior design and fit out works as well as project management.

2016 was a very meaningful year for the development of our Group. On 12 July 2016, our Group was successfully listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. With more than 16 years of experience in Hong Kong, we were pleased to witness our Group marked this important milestone. The listing did not only enhance our capital base but also enhance our corporate image and reputation and strengthen our customers' confidence and recognition. I would like to once again thank all the professional parties and our dedicated staffs for their joint efforts in making the listing a success.

CEO'S STATEMENT (CONTINUED)

Our teams of management and staffs had expanded significantly in 2016 in view of the potential expansion in business after listing. To cope with the increased need of office space, we have relocated to a new office during the year.

Business and Financial Review

In view of our business in the past year, we have made solid progress despite the challenging economic conditions. By focusing on meeting the needs of our customers, we maintained competitive market positions, acquired new and sizable customers as well as achieved a growth in revenue in 2016.

In 2016, our total revenue has amounted to approximately HK\$87.6 million, which represented an increase of approximately 3.7% over 2015. Excluding projects relating to maintenance and aftersales service, as there were more relatively larger projects (with project revenue of HK\$3 million or more) completed or on-going in 2016 when compared to 2015, the average revenue per project has increased by approximately 26.9% over 2015 to approximately HK\$1.98 million, while our number of projects in 2016 decreased by 17.3% over 2015.

Our gross profit margin in 2016 decreased to approximately 31.5% from approximately 34.3% in 2015, which was mainly due to the lower average margin earned for our commercial projects during 2016. Our net profit in 2016 (before listing expenses) decreased to approximately HK\$5.4 million, compared to approximately HK\$15.3 million in 2015. Besides the effects of the lower average margins earned from our projects as mentioned above, the decrease in net profit in 2016 was also due to the postponement of the signing and execution of certain projects to 2017. As well, the decrease was also contributed by the increase in total operating expenses, which in-turn was mainly due to the increased cost of operating a publicly-traded company as well as the utilization of the listing proceeds to develop the Group's business.

The Group continued to be awarded projects in 2017 by existing and new customers who valued the Group's reputation, proven track record and experience in the industry. The Group has a number of projects in the pipeline that were built up since 2015 and 2016 which will come online and contribute to the total revenue in 2017 and beyond. As at the date of this report, our Group has secured project contracts with total contract sum of approximately HK\$37.8 million for which no work has commenced prior to 31 December 2016.

Corporate Branding and Social Responsibilities

On top of business, our effort in building our brand has been led by the commitment and passion demonstrated by our staffs. I am glad that the design of our new office were recognized by Gohome Awards 2016 with the "Best Interior Design — Office Design" Award. The annual GoHome Awards has become a highly-anticipated event amongst key industry players. We have also been named "2016 Hong Kong Outstanding Enterprise" in the "Hong Kong Outstanding Enterprise Parade 2016" organized by Economic Digest. We are delighted that our continued efforts to develop our brand and our relentless pursuit to drive our customer service standards have been recognized.

CEO'S STATEMENT (CONTINUED)

We consider our staffs our most valuable assets. Therefore, we strive to create a pleasant working environment and enjoyable working atmosphere for our staffs to enhance their sense of belonging and promote work efficiency. The "Happy Company" label granted by the Promoting Happiness Index Foundation and implemented by the Hong Kong Productivity Council under the "Happiness-at-work Promotional Scheme" is a good example on the Group's commitment on this aspect.

Our charity partnerships with Green Power, Save the Children, Tung Wah Group of Hospitals, etc. align our good corporate citizenship initiatives as we strive to contribute to the society through community commitment. We were also awarded the "Caring Company" logo by the Hong Kong Council of Social Service in recognition of our commitment in three areas: Caring for the Community, Caring for the Employees and Caring for the Environment. Our dedication to empower people to grow in professional and intellectual manners is also demonstrated by our donation to The Hong Kong Polytechnic University with two scholarships for their School of Design.

Future Prospects

With our listing behind us, we have embarked on our next phase of growth to run the next league of our journey. We will utilize the resources as a public company to recruit high caliber talents and to enhance our Group's strength, and will continue to explore opportunities for new line(s) of business and/or business collaboration/acquisition.

Appreciation

Success will be hard to achieve without the efforts of each of our staffs as well as our business partners, who play important roles and contribute to where we are today. I thank our people for their hard work and dedication. I also thank our customers, suppliers, shareholders and other stakeholders for the trust and support they continue to give us. Looking forward, we expect market conditions to remain challenging but we will strengthen our corporate management and look into possibilities to expand our business in order to sustain the growth and create more values to the shareholders.

Yau Chung Ping

Chief Executive Officer and Executive Director

Hong Kong, 24 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

The results of the Brexit vote and the US Presidential Election in 2016 had been shocking to the world and also caused companies and investors to be more skeptical of what these black swan events would mean to the trend of global economy and therefore potentially withholding or postponing their business plans or transactions. Looking back at the local economy in Hong Kong, as mentioned in the latest Budget announced by the HKSAR government, the GDP growth in 2016 was 1.9% and the expected GDP growth in 2017 is 2-3%. Our management is of the view that the drastic changes in the global political environment shall have limited short-term impact to the local markets, and is cautiously optimistic about the interior design and fit-out industry in Hong Kong as the economic interaction between Hong Kong and the Mainland China remains robust and normalized.

Business Overview

The Group's business was established since 1999 under the name of AL Design, which is a well-established interior design and fit out solutions provider in Hong Kong. The Group believes that its success is firmly rooted in its extensive experience and portfolio in interior design and fit out works as well as project management. The Group's services can be broadly categorized as (i) design and fit out and (ii) design only. In addition, the Group also provides maintenance and aftersales services which could cater for its customers' different requirements.

Excluding projects relating to maintenance and aftersales service, for the year ended 31 December 2016, the total revenue increased by approximately 4.7%, and as there were more relatively larger projects (with project revenue of HK\$3 million or more) completed or on-going in 2016 when compared to 2015, the average revenue per project has increased by approximately 26.9% over 2015 to approximately HK\$1.98 million, while our number of projects in 2016 decreased by 17.3% over 2015.

The tables below summarized the number of on-going and completed projects and revenue, by type of service and customer, and the average revenue per project during the year ended 31 December 2016 respectively and their comparative figures:

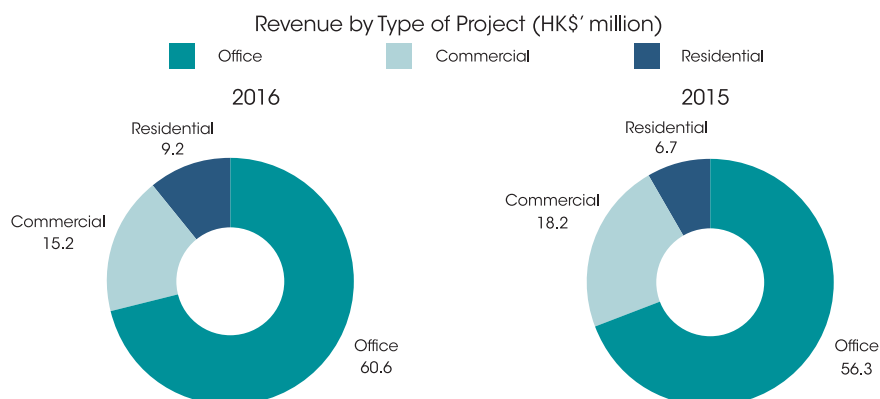
In terms of Number of Projects*

	For the year ended 31 December		
	2016	2015	Change
Design and fit out/Design only			
Office	30	41	(26.8%)
Commercial	4	4	—
Residential	9	7	28.6%
Total	43	52	(17.3%)

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In terms of Revenue*

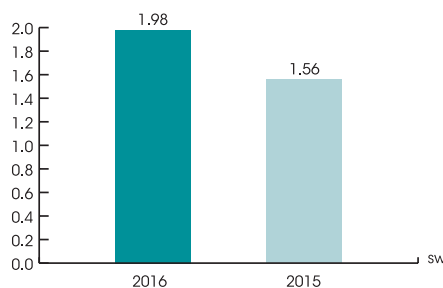
In HK\$' million	For the year ended 31 December		
	2016	2015	Change
Design and fit out/Design only			
Office	60.6	56.3	7.6%
Commercial	15.2	18.2	(16.5%)
Residential	9.2	6.7	37.3%
Total	85.0	81.2	4.7%



Average Revenue per Project*

In HK\$' million	For the year ended 31 December		
	2016	2015	Change
Revenue	85.0	81.2	4.7%
Number of projects	43	52	(17.3%)
Average revenue per project	1.98	1.56	26.9%

Average Revenue per Project



* excluding those relating to maintenance and aftersales service

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group continued to be awarded projects in 2017 by existing and new customers who valued the Group's reputation, proven track record and experience in the industry. The Group has a number of projects in the pipeline that were built up since 2015 and 2016 which will come online and contribute to the total revenue in 2017 and beyond. As at the date of this report, our group has secured project contracts with total contract sum of approximately HK\$37.8 million for which no work has commenced prior to 31 December 2016.

Upon listing in July 2016, the Group continued to strengthen its corporate management and look into possibilities to expand its business into different markets in order to sustain the growth and create more values to the shareholders.

Financial Overview

In HK\$' million	For the year ended 31 December		
	2016	2015	Change
Revenue	87.6	84.5	3.7%
Gross Profit ^(Note 1)	27.6	29.0	(4.8%)
Gross Profit Margin	31.5%	34.3%	(8.2%)
EBITDA ^(Note 2) before listing expenses (2015: nil)	7.3	18.4	(60.3%)
Net Profit before listing expenses	5.4	15.3	(64.7%)
Net (Loss)/Profit after listing expenses	(7.8)	15.3	(151.0%)

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

Note 2: The Group's EBITDA represents earnings before income tax and depreciation of property, plant and equipment. While 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 EBITDA may not be comparable to similarly-titled measures of other companies.

For the year ended 31 December 2016, the Group experienced growth in revenue over 2015. The Group's revenue amounted to approximately HK\$87.6 million, representing an increase of approximately 3.7% over 2015.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's gross profit for the year ended 31 December 2016 amounted to approximately HK\$27.6 million, representing a decrease of approximately 4.8% over 2015. Gross profit margin decreased from approximately 34.3% to approximately 31.5%, which was mainly due to the lower average margin earned for our commercial projects during the year ended 31 December 2016 compared to 2015 as the commercial projects in 2016 involved technical requirements which the Group had incurred more costs than expected to fulfil. The Group will take in-depth consideration before committing to similar projects in the future in order to better control our costs.

The Group's total operating expenses ^(Note 3) for the year ended 31 December 2016 were approximately HK\$34.4 million (including one-time listing expenses of approximately HK\$13.2 million) when compared to approximately HK\$10.6 million for in 2015. The increase in total operating expenses was mainly due to the increased cost of operating a publicly-traded company as well as the utilization of the listing proceeds in accordance to the "Use of Proceeds" stated in the prospectus dated 29 June 2016 (the "Prospectus") with details as shown below.

Apart from the one-time listing expenses, the increase in total operating expenses was mainly due to:

- (1) Increase in staff costs as a result of increase in headcounts, salary increments, staff benefits and incentives as the Group continues to hire and retain the best available talents;
- (2) Increase in marketing expenses as the Group ramps up investments in marketing including advertising for business development activities;
- (3) Increase in rental expenses, depreciation and relocation expenses as the Group has relocated and expanded its office premises in 2016; and
- (4) Increase in fees paid to professional parties since the Group became a public company in July 2016.

Our investments in headcounts, staff benefits and marketing expenses as mentioned above have led to the signing of a few project contracts with significant contract sums, which will contribute to revenue and profit in 2017 and beyond.

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

For the year ended 31 December 2016, the Group's EBITDA (before listing expenses) amounted to approximately HK\$7.3 million as compared to approximately HK\$18.4 million for 2015 due to the higher operating expenses detailed above. Due to the increased operating expenses mentioned above as well as the effects of lower average margins earned from our projects and the postponement of the signing and execution of certain projects to 2017, the Group's net profit (before listing expenses) decreased to approximately HK\$5.4 million for year ended 31 December 2016 when compared to approximately HK\$15.3 million for 2015, representing a decrease of approximately 64.7 %.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 and the Group's actual business progress for the Year:

Business Plan

Actual Business Progress

Recruiting high caliber talents and enhancing company strength

- | | |
|---|---|
| <ul style="list-style-type: none">— Recruit high caliber talents

— Enhance our information system and design software | <ul style="list-style-type: none">— The Group had hired two senior management members and twelve general staff members in the departments of sales and marketing, design, project management, finance and administration in 2016 to cope with our business expansion after listing.

— The Group had replaced some of our desktop computers and design software. |
|---|---|

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

- | | |
|---|--|
| <ul style="list-style-type: none">— Develop a new line of business

— Acquisition of companies | <ul style="list-style-type: none">— The Group had hired one senior management member dedicated to the planning and execution of our Group's business expansion. During the year, the Group had made a few business trips to a few Asian countries to pitch for new business opportunities.

— The Group is in the process of formulating a plausible business plan in the movable furniture market. The Group had not yet identified any suitable investment or acquisition target. |
|---|--|

Expanding market coverage

- | | |
|--|--|
| <ul style="list-style-type: none">— Relocate our office in Hong Kong

— Establish a representative office in Shanghai | <ul style="list-style-type: none">— The Group had relocated its office from Quarry Bay to Kwun Tong with innovative design to further improve the Group's image. The Group had further expanded the office in the 4th quarter of 2016.

— The Group is still observing the market in Shanghai. The Group has regarded Taiwan as an alternative location and will devote time to observe the market in 2017. |
|--|--|

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business Plan	Actual Business Progress
<p>Capturing larger design and fit out projects</p> <ul style="list-style-type: none"> — Payment of start-up costs for new projects 	<ul style="list-style-type: none"> — The Group continued to pitch for larger projects. No significant start-up costs have been paid for our new projects.
<p>Increasing the effectiveness of marketing and brand recognition</p> <ul style="list-style-type: none"> — implement marketing and advertising campaign — promotion through designing and preparing company brochures and marketing materials 	<ul style="list-style-type: none"> — The Group had committed to post advertisements in MTR, office/commercial TV network and various popular magazines, and had made donations to various charitable organizations to increase public exposure of the Group and enhance its corporate image. — The Group has joined various corporate and design awards with the following achievements: <ul style="list-style-type: none"> — Hong Kong Outstanding Enterprises Award 2016 organized by Economic Digest — GoHome Awards 2016 — Best Interior Design — Office Design organized by Gohome.com.hk

Use of Listing Proceeds

The shares of the Company were listed on GEM of the Stock Exchange on 12 July 2016 (the "Listing Date") 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. As of 31 December 2016, the Group does not anticipate any change to the plan as to the use of listing proceeds. The majority of the unused net proceeds have been placed as interest bearing short-term fixed/demand deposits with licensed bank in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As at 31 December 2016, the net listing proceeds has been applied and utilized 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%	3,841	11,384
Developing a new line of business and financing potential business collaboration and/or acquisition of companies	13,587	24%	700	12,887
Expanding market coverage	10,788	19%	3,666	7,122
Capturing larger design and fit out projects	6,840	12%	Nil (Note)	6,840
Increasing the effectiveness of marketing and brand recognition	4,860	8%	1,295	3,565
General working capital	5,700	10%	1,197	4,503
Total	57,000	100%	10,699	46,301

Note: Under the category of "Capturing larger design and fit out projects", our Group managed to capture larger design and fit out projects which do not require payment of start-up costs for new projects such as prepayment of subcontracting and material costs. As a result of the success, our Group was able to accomplish our objective under this category without having to deploy the assigned amount of Use of Proceeds previously anticipated in our Prospectus.

Liquidity, Financial Resources and Capital Structure

The Group practiced prudent financial management and maintained a strong and sound financial position during the year ended 31 December 2016. As of 31 December 2016, the Group had cash and cash equivalents of approximately HK\$66.0 million (31 December 2015: approximately HK\$12.7 million). The increase in cash and cash equivalents was mainly attributable to the net proceed from the Company's listing during the year. The current ratio, being the ratio of current assets to current liabilities, was approximately 4.6 times as at 31 December 2016 (2015: 1.7 times).

As at 31 December 2016, the Group did not have any outstanding borrowing (hence no gearing ratio of the Group was presented), other indebtedness and did not have any utilized or unutilized bank facilities (31 December 2015: Nil). There was no finance cost incurred during the year ended 31 December 2016.

The shares of the Company were listed on the GEM Board of the Stock Exchange on 12 July 2016. Since then and up to 31 December 2016, there has been no change to the capital structure of the Company. The Company's capital comprises ordinary shares and capital reserves. The Group finances its working capital requirements through a combination our cash and cash equivalents, cash flows generated from operations and proceeds from share offer.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Foreign Exchange Exposure

The Group's core business operation is in Hong Kong and its assets are principally in Hong Kong. Hence, the Group is not exposed to significant foreign exchange risk as the majority of our business transactions are denominated in Hong Kong Dollar (being the functional currency of our Group) and there were only insignificant balances of financial assets that were denominated in foreign currency as at 31 December 2016.

The Group does not have a foreign currency hedging policy. The Group will continue to monitor its foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Pledge of Assets

As at 31 December 2016, the Group did not have pledged assets (31 December 2015: Nil).

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2016 (31 December 2015: Nil).

Capital Commitments

As at 31 December 2016, the Group did not have any capital commitments (31 December 2015: 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 31 December 2016.

Significant Investments Held

Save for investment in equity securities listed in Hong Kong (available-for-sale financial assets), as at 31 December 2016, the Group did not have any investment in equity interest in any other company and did not own any properties (31 December 2015: Nil).

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 year ended 31 December 2016.

Employees and Remuneration Policies

As at 31 December 2016, the Group had 36 employees (31 December 2015: 21 employees), including the Directors and one part-time employee. Total staff costs (including Directors' emoluments) were approximately HK\$12.8 million for the year ended 31 December 2016 as compared to approximately HK\$7.2 million for the year ended 31 December 2015. Such increase was mainly due to the increase in number of employees during the year.

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, insurance coverage and discretionary bonuses. Level of remuneration is reviewed at least annually.

Significant Event after the Reporting Period

Up to the date of this report, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the year ended 31 December 2016.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT

Executive Directors

Mr. Yau Chung Ping (“Mr. Yau”), aged 45, was appointed as a Director on 1 February 2016 then has been re-designated as an executive Director and serves as the Chief Executive Officer (“CEO”) of the Company since 25 February 2016. He is a member of the remuneration committee.

Mr. Yau is a co-founder of the Group and a controlling shareholder. He was appointed as a director of AL Design & Associates Limited (“AL Design”), a wholly-owned subsidiary of the Company, since its founding in October 1999.

As a CEO, apart from being responsible for formulating the corporate strategies and meeting the overall business objectives of the Group, Mr. Yau is also involved with client development, new business initiatives and overall design and project management for the Group’s clients. Mr. Yau has over 25 years of experience in interior design and project management in Hong Kong and China. He started his career in 1991 as a draftsman at MY Collections Limited; and in 1992, worked as an assistant interior designer at Robmon Interiors, with focus on the retail and residential sectors. From 1995–1996, Mr. Yau was an interior designer at Raymond Lui & Partners Ltd., with focus on a major department chain-store in Shanghai; and in 1997, became an interior designer at FCS Interior Design Consultant Limited, with focus on the commercial office sector.

In 1999, Mr. Yau co-founded AL Design with Ms. Sz Kit, an executive Director of the Company. Over the 16 years at AL Design, Mr. Yau has directed his design team through a variety of projects in the field of interior design and project management covering the commercial, residential and retail sectors that reflect the brand and image of their corporate clients. He is committed to serving the community, contributing to numerous charities; and using environmentally friendly practices and materials wherever possible.

Mr. Yau received a Diploma in Interior and Environmental Design from the First Institute of Arts and Design in August 1994. He has been a professional member of the Hong Kong Interior Design Association since 2004.

Ms. Sz Kit (“Ms. Sz”), aged 46, was appointed as a Director on 1 February 2016 then re-designated as an executive Director of the Company on 25 February 2016. Ms. Sz is a co-founder of the Group and a controlling shareholder. She was appointed as a director of AL Design, a wholly-owned subsidiary of the Company, since its founding in October 1999.

Ms. Sz currently serves as the director, Projects for the Company and has overall responsibilities for project management of the Group’s business, including the management of opportunities and risks, human resource planning and deployment, quality control, progress of work against cost and deadline, and environmental and safety issues.

Ms. Sz has over 20 years of experience in interior design and project management in Hong Kong covering the residential, office, commercial, hospitality and government sectors. She started her career in 1993, initially as a draftsman and subsequently as an interior designer at Ming Yip Design Limited; and in 1997, joined FCS Interior Design Consultant Limited as an interior designer, with focus on the commercial office sector.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT (CONTINUED)

In 1999, Ms. Sz co-founded AL Design with Mr. Yau, an executive Director of the Company. Over the 16 years at AL Design, Ms. Sz has worked closely with Mr. Yau in building the business from scratch.

Ms. Sz received a diploma in Architecture and Urban Planning from the department of Architecture at Guangzhou University (China) in July 1991. She has been a professional member of the Hong Kong Interior Design Association since 2004.

Non-executive Director

Mr. Wong Kang Man ("Mr. Wong"), aged 33, was appointed a non-executive Director of the Company on 10 March 2017. He is a member of the nomination committee.

Mr. Wong has 10 years of experience in electrical and manufacturing engineering and interior design. Since October 2012, Mr. Wong has been the director of sales & marketing at TSBE Design Consultant Limited, an interior design firm in Hong Kong. In August 2007, Mr. Wong joined Myron L Company based in San Diego, California USA, as an electrical engineer where over a period of five years had directed teams of over 150 workers and 10 engineers to work on electrical and product engineering projects.

Mr. Wong received a Bachelor of Science degree in Electrical Engineering from the University of California, San Diego USA, in May 2007.

Independent Non-executive Directors

Mr. Lau Chun Wah, Davy ("Mr. Lau"), aged 61, was appointed an independent non-executive Director and the Non-executive Chairman of the Company on 15 June 2016. He is a member of the nomination committee.

Trilingual in Japanese, English and Mandarin, Mr. Lau has significant track record building and running multinational businesses in the Asia Pacific for more than 30 years spanning across manufacturing, IT systems solutions and outsourcing, banking and real-time on-line information business as well as professional services. Mr. Lau is currently the chairman of DGL Group Inc, managing his private direct investments. Since June 2015, Mr. Lau has been serving as an independent director and the chairman of the nominating and remuneration committee of Manulife US Real Estate Management Pte. Ltd., the manager of the real estate investment trust (REIT), Manulife US Real Estate Investment Trust, which has been listed on the Singapore Exchange (stock code: BTOU) since 20 May 2016.

Prior to launching DGL Group Inc, for 17 years between March 1994 and February 2011, Mr. Lau was with Egon Zehnder International Pte Ltd, a leading global executive search firm, recruiting senior executives, CEOs and board directors in the Asia Pacific region for various MNCs as well as Asian companies. He was elected Global Partner of the firm at the end of 1999 and was the managing partner of the Singapore practice between 2000 and 2009.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT (CONTINUED)

Mr. Lau started his career at Computervision Asia, Ltd., an early pioneer in the CAD/CAM systems business, in the early eighties; for six years between 1981 and 1987, he held various sales & marketing positions selling and implementing CAD/CAM systems, including some of the most significant CAD/CAM systems ever installed in China. He was a Vice President of the Information Business Division at Citibank N.A., Tokyo Branch between February 1988 and May 1990, where he marketed real-time on-line financial information services to multi-national corporations as well as banks in Japan. Mr. Lau was the General Manager and Director, Far East Sales & Operations for GTECH Far East Pte Ltd, an international gaming service provider, between August 1991 and February 1994, where he marketed and supported the on-going operations of various public gaming IT outsourcing projects in Asia.

In 2006, Mr. Lau co-founded The Mustard Seed Business Angel Fund LLP, the first business angel group recognised and supported by the Economic Development Board of Singapore under its Business Angel Scheme. He is currently a member of advisory/resource panels of private equity and buy-out funds such as Credence Partners Pte Ltd and ACA Investments Pte Ltd and also sits on the boards of UWCSEA (United World College of Southeast Asia), Hong Kong-ASEAN Economic Cooperation Foundation Limited and Make-A-Wish Foundation (Singapore) Limited. He was previously on various public or private corporate boards, including NASDAQ listed HiSoft Technology International Limited, Strategic Investment Partners, Inc. (Japan) and eZoo School of Music and Fine Arts Pte. Ltd. (Singapore).

Mr. Lau was a recipient of the Japanese Government Scholarship for Undergraduate Students in 1974 and received a Bachelor of Arts degree in Japanese Language & Affairs from the Tokyo University of Foreign Studies in 1979 as well as a Master degree in Economics from the Hitotsubashi University in 1981. Mr. Lau is a naturalised Singaporean, born and raised in Hong Kong.

Ms. Lee Hau Yan, Hannah ("Ms. Lee"), aged 43, was appointed an independent non-executive Director of the Company on 15 June 2016. She is the chairlady of the audit committee and a member of the remuneration committee.

Ms. Lee was the Chief Financial Officer of NISI (HK) Limited, a company that specialised in non-invasive surgical innovations for the period from 21 March 2016 to 28 February 2017. She has more than two decades of experience in auditing, accounting, investment and financial management, mergers & acquisitions and initial public offerings. As Chief Financial Officer, she successfully took two PRC-based companies public on NASDAQ, namely, The9 Limited (NASDAQ:NCTY) and Global Education & Technology Group Limited (NASDAQ:GEDU). She also spearheaded the successful multi-billion merger of the parent company of the PRC-based Ganji.com with NYSE-listed 58.com Inc. (NYSE:WUBA) as well as the successful acquisition of Global Education & Technology Group Limited (NASDAQ:GEDU) by NYSE-listed the Pearson plc (NYSE:PSO).

From September 2011 to February 2016, Ms. Lee was the Senior Vice President & Chief Financial Officer of Ganji.com, a classified website to over 350 cities in China. Ms. Lee spearheaded and completed the multi-billion merger of the parent company of Ganji.com with 58.com Inc. (NYSE: WUBA) in August 2015. From November 2009 to September 2011, she was the Vice President & Chief Financial Officer of Global Education & Technology Group Limited, a NASDAQ-listed company (NASDAQ:GEDU). She successfully took the PRC-based company public on NASDAQ in October 2010 and subsequently led the acquisition of the public company by the Pearson plc (NYSE: PSO) in late 2011 for about US\$300 million.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT (CONTINUED)

From March 2008 to October 2009, Ms. Lee was the Vice President & Chief Financial Officer of United Information Technology Co., Ltd., a provider of networked storage products and services in China. From January 2004 to February 2008, she was the Vice President & Chief Financial Officer, and subsequently Senior Vice President, of The9 Limited, a NASDAQ-listed company (NASDAQ:NCTY). Ms. Lee successfully took the PRC-based company public on NASDAQ in December 2004.

Ms. Lee started her career in 1996 at Smythe LLP (formerly known as "Smythe Ratcliffe") in Vancouver, Canada, where she worked as an articling student from September 1996 to May 1998. From June 1998 to January 2003, Ms. Lee worked at PricewaterhouseCoopers LLP in Vancouver, Canada as a Manager in the Audit and Assurance practice. From January 2003 to January 2004, she was a manager in the audit department at KPMG in Shanghai, China.

Ms. Lee received a Bachelor of Commerce degree (Honors) from the University of British Columbia, Canada, in May 1996. She is a member of Chartered Professional Accountants of Canada (formerly known as Institute of Chartered Accountants of Canada) since July 1999 and a Registered Certified Public Accountant in Illinois, USA.

Mr. Tse Chi Shing ("Mr. Tse"), aged 33, was appointed an independent non-executive Director of the Company on 12 January 2017. He is the chairman of the remuneration committee and the nomination committee and a member of the audit committee.

Mr. Tse has 10 years of experience in accounting and auditing. Since April 2011, Mr. Tse has been the Financial Controller and Company Secretary of Sunrise (China) Technology Group Limited ("Sunrise"), a company listed on the GEM of the Stock Exchange (SEHK:8226), where he is responsible for financial planning, financial control and accounting operations and also manages a full spectrum of company secretarial work for Sunrise. Prior to joining to Sunrise, Mr. Tse was with the audit firms of Mazars CPA Limited, HLB Hodgson Impey Cheng, and Choy Ng and Co. CPA.

Mr. Tse received a Bachelor of Arts degree (with Honours) in Accounting from the Hong Kong Polytechnic University in July 2006. He has been a member of the Hong Kong Institute of Certified Public Accountants (HKICPA) since January 2011.

Senior Management

Mr. Chan Cheuk Him ("Mr. Chan"), aged 35, joined the Group in January 2016 as Financial Controller. He is responsible for financial planning & control, accounting operations and internal control systems of the Group. Prior to joining the Group, between November 2013 and November 2015, Mr. Chan was the Senior Finance Manager at Union Asia Enterprise Holdings Limited (formerly known as "Pan Asia Mining Limited"), a company listed on the Stock Exchange of Hong Kong (SEHK:8173), engaged in the exploration and exploitation of mineral resources and trading of coal and bunker fuel, where Mr. Chan supervised the accounting operations in Greater China, Singapore and Indonesia. Between January 2010 and May 2013, Mr. Chan was a Finance Manager in Peak Sport Products Co., Limited ("PSPCL"), a company listed on the Stock Exchange of Hong Kong (SEHK:1968), engaged in the manufacturing and trading of sporting goods, where Mr. Chan served the managing role on monthly consolidation, audit, corporate communications and compliance matters for the group of PSPCL.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT (CONTINUED)

Mr. Chan started his career in December 2003 at PricewaterhouseCoopers Ltd. He was gradually promoted from Associate, Senior Associate and to Manager in the Assurance Department, where he serviced clients in the customer/industrial products, real estates, transportation and services sectors on auditing and accountancy procedures, between December 2003 and October 2009.

Mr. Chan received a Bachelor of Business Administration in Marketing and Finance from the Hong Kong University of Science and Technology in May 2004. He is a member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and a member of Association of Chartered Certified Accountants (ACCA) since 2008.

Ms. Lau Yee Nga, Angela ("Ms. Lau"), aged 42, joined the Group in November 1999 when AL Design was founded. She is currently the director, Sales & Marketing of AL Design and is responsible for sales & marketing and new business development and achieving the Group's revenue and profit targets.

Ms. Lau started her career in 1996 as a Capacity Management Officer at Maersk Hong Kong Limited. The following year, in 1997, she joined FCS Interior Design Consultant Limited as a Marketing Executive. In 1999, Ms. Lau became a member of the founding team at AL Design, served initially as an Assistant Marketing Manager and subsequently rose through the ranks to become a Senior Manager, Sales & Marketing. Between the period June 2010 and January 2011, and May 2012 and October 2013, Ms. Lau was on a sabbatical leave. In January 2016, she was re-designated as the director, Sales & Marketing.

Ms. Lau received a Bachelor of Science degree (Honors) in Statistics from the Chinese University of Hong Kong in December 1996.

Mr. Cheng Lung Yan, Paul ("Mr. Cheng"), aged 40, joined the Group in March 2016. He is currently the director, Operations of AL Design and is responsible for operational system and business process, management reporting, support services, and coordination and communications between the business and support functions.

Mr. Cheng started his career in 2000 in his family garment business; was a Customer Service Representative and subsequently a Client Support Officer and Assistant Manager at Intimex Business Solutions Co. Ltd. between 2003–2004, and an Executive Manager at 3A Products (HK) Company between 2004–2008. In 2008, Mr. Cheng founded Masterpiece Event Decoration Limited, a wedding design and decoration business; the business was eventually acquired by a co-founder of a wedding and event decoration company in 2013.

Mr. Cheng pursued a Bachelor of Arts Degree at the Simon Fraser University, Vancouver, Canada between January and April 2000. Mr. Cheng has also completed a course in Supervisory Management of the Hong Kong Polytechnic University in 2002 and a course in Practices in Logistics at the Vocational Training Council Hong Kong Centre for Transport & Logistics in 2005.

Ms. Chan Choi Yi ("Ms. Chan"), age 47, joined the Group in August 2000, less than a year after AL Design was founded. She is currently the associate director, Human Resources & Administration of AL Design and is responsible for human resource planning & deployment and administration.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT (CONTINUED)

Ms. Chan started her career in 1989; was a Clerk at Bank of Communications Hong Kong Branch (1989–1992), a junior secretary at Stephen-Bensive Asia Ltd. (1992–1993), a secretary of Ricofield Company Limited (1993–1994), a secretary to Deputy Managing Director at Fuchuen Machinery and Equipment Company Limited (1994–1999), and a Secretary to Director at Hong Kong Darong (International) Co. Ltd. (1999).

Ms. Chan received a certificate in Secretaries from the Hong Kong Management Association in 1992, a certificate in Logistics Management from the School of Continuing Education Hong Kong Baptist University in 2001, and a certificate in Employment Ordinance from the Hong Kong Management Association in 2013.

Mr. Ng Chit Sing (“Mr. Ng”), aged 44, was appointed as company secretary on 25 February 2016. He is the currently the chief executive officer of IN Corporate Services Limited specialising in the provision of corporate secretarial services to listed issuers and private companies.

Mr. Ng acts as named company secretary of certain companies listed on the Main Board or Growth Enterprises Market of the Stock Exchange of Hong Kong Limited. Mr. Ng served as a Senior Company Secretarial Manager of SMI Culture Group Holdings Limited (formerly known as Qin Jia Yuan Media Services Company Limited) (SEHK: 2366) from April 2010 to November 2010 and was appointed as company secretary from December 2010 to September 2011.

Mr. Ng was admitted as an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in England in July 2000. Mr. Ng received a Bachelor’s Degree in Social Sciences in 1996 and a Bachelor’s Degree in Laws in August 2008.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") have pleasure in presenting their first annual report together with the audited consolidated financial statements of the Group (the "Consolidated Financial Statements") for the year ended 31 December 2016 (the "Year").

Principal Activities and Business Review

The principal activity of the Group is the provision of integrated interior design and fit out management services in Hong Kong.

The business review of the Group for the Year together the future business development are set out in the section headed "Management Discussion and Analysis" on pages 8 to 16 of this annual report. This discussion form part of the report of directors.

Environmental Policies and Performance

Details of the key laws and regulations that have a significant impact on the Group's business, their key scope and our compliance measures are outlined as the following table:

Laws and Regulations	Key scope	Compliance measures
Noise Control Ordinance (CAP. 400)	These provisions deal with noise emanating from places such as industrial, commercial, trade or business premises	The Group has signed framework agreement with subcontractors who acknowledged the ultimate responsibilities of laws and regulations compliance relating to their fit-out work at our project locations. Our project team will monitor the day-to-day work of subcontractors and provide advice whenever there is potential risk of non-compliance of laws and regulations.
Waste Disposal (Charges for Disposal of Construction Waste) Regulation (CAP. 354N)	Construction waste producers, such as construction contractors, renovation contractors or premises owners, prior to using government waste disposal facilities, need to open a billing account with the Environmental Protection Department and pay for the construction waste disposal charge	

Compliance with Laws and Regulations

The Group is principally engaged in providing integrated interior design and fit out management services in Hong Kong. Sufficient resources and training have been allocated and provided to ensure the on-going compliance with applicable laws and regulations. During the Year, the Board is not aware of any incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business where the Group is operating.

Relationship with key parties

The success of the Group also depends on the support from key parties which comprise customers, suppliers, employees and shareholders.

Customers

The Group's principal customers comprises business owners and residential property owners/tenants. The Group provides high standard and tailor-made design and fit-out management to our customers, as well as strong maintenance and after-sales services to maintain a close relationship with our existing customers to encourage re-engagement and/or referral.

Suppliers

Good relationship with suppliers constitutes one of the essential elements of the Group's success. To achieve positive business growth, the Group maintains close relationship with its suppliers in order that fit-out work can be completed with high efficiency and quality so as to further enhance our reputation in the market.

Employees

The Group focuses on the talents of our employees as our most valuable asset and provides a harmonious and professional working environment with flexibility for their creativity to fulfil the interior design projects.

The key objective of our human resource management is to recognize and reward performing staff by providing competitive remuneration packages and implementing an effective performance appraisal system with appropriate incentives, namely equal promotion opportunity.

Shareholders

The principal goal of the Group is to maximize the return to the shareholders of the Company. The Group will focus on our core business for achieving sustainable profit growth and rewarding the shareholders with dividend payouts taking into account the business development needs and financial health of the Group.

Principal Risks and Uncertainties

The business operations and results of the Group may be affected by various factors, some of which are external causes and some are inherent to the business. The Board is aware that the Group is exposed to various risks and the principal risks and uncertainties are summarized below:

- Failure to obtain new contracts could materially affect our financial performance;
- We rely on our management team in operating our business;
- We rely on our ability to successfully meet customers' and end users' preference by delivering our interior design solutions in a timely manner;

REPORT OF THE DIRECTORS (CONTINUED)

- 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.

Results and Appropriations

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 61.

The Directors did not recommend the payment of a final dividend to shareholders of the Company for the Year (2015: N/A).

Three Years Financial Summary

A summary of the published results, assets and liabilities of the Group for the last three financial years is set out on page 108. This summary does not form part of the Consolidated Financial Statements.

Shares Issued in the Year

Details of the shares issued in the year ended 31 December 2016 are set out in note 25 to the Consolidated Financial Statements.

Equity-linked Agreements

Other than the share option scheme of the Company, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year or subsisted at the end of the Year.

Pre-emptive Rights

There is no provision for the pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Purchase, Sale or Redemption of the Company's Listed Securities

The Company has not redeemed any of its shares during the period from the Listing Date to 31 December 2016. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period from the Listing Date to 31 December 2016.

Distributable Reserves

As at 31 December 2016, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK\$74.2 million (2015: N/A). Details of the movement in reserve during the Year are set out in note 31 to the Consolidated Financial Statements.

Donations

During the Year, charitable and other donations made by the Group amounted to HK\$130,900 (2015: HK\$47,620).

Major Customers and Suppliers

The percentages of purchases and sales for the Year attributable to the Group's major suppliers and customers are as follows:

Purchases

— the largest supplier	9%
— five largest suppliers in aggregate	22%

Sales

— the largest customer	15%
— five largest customers in aggregate	50%

To the best knowledge of the directors, neither the directors, their associates, nor any shareholders, who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

REPORT OF THE DIRECTORS (CONTINUED)

Directors and Directors' Service Contracts

The directors of the Company who held office during the Year and as at the date of this report were:

Executive Directors:

Yau Chung Ping (*Chief Executive Officer*)

Ms. Sz Kit

Ms. Wu Kar Wai (resigned on 10 March 2017)

Non-executive Director

Mr. Wong Kang Man (appointed on 10 March 2017)

Independent Non-executive Directors

Mr. Lau Chun Wah, Davy (*Chairman*)

Ms. Lee Hau Yan, Hannah

Mr. Tse Chi Shing (appointed on 12 January 2017)

Mr. Neo Sei Lin, Christopher (resigned on 12 January 2017)

Subsequent to the end of the Year, on 12 January 2017, Mr. Neo Sei Lin, Christopher resigned as an independent non-executive Director as he is relocating out of Hong Kong to take up a new job opportunity in Southeast Asia and also to devote more time on the board of another Hong Kong listed company that he is currently serving. On 10 March 2017, Ms. Wu Kar Wai resigned as an executive Director as she decides to devote more time to her new born.

On 12 January 2017, Mr. Tse Chi Shing ("Mr. Tse") has been appointed as an executive director of the Company for a fixed term of one year, subject to retirement by rotation and re-election at annual general meeting.

On 10 March 2017, Mr. Wong Kang Man ("Mr. Wong") has been appointed as a non-executive director of the Company for a fixed term of one year, subject to retirement by rotation and re-election at annual general meeting.

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service contract and/or letter of appointment with the Company for a fixed term of one year commencing on 12 July 2016 (except for Mr. Tse and Mr. Wong), subject to retirement by rotation and re-election at annual general meeting, and will continue thereafter until terminated in accordance with the terms of the service contract/letter of appointment. The aforesaid service contracts and/or the letters of appointment may be terminated by not less than one month's notice in writing served by either party on the other.

In accordance with the Article 83(3) of Company's Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

REPORT OF THE DIRECTORS (CONTINUED)

In accordance with the Article 84(1) of Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation.

Accordingly, Mr. Yau Chung Ping, Ms. Sz Kit, Mr. Lau Chun Wah, Davy, Ms. Lee Hau Yan, Hannah, Mr. Tse Chi Shing and Mr. Wong Kang Man, being all Directors of the Company, shall retire from office at the forthcoming annual general meeting to be held on 12 May 2017 (the "AGM"). All of the retired directors, being eligible, offer themselves for re-election, at the AGM.

Apart from the foregoing, no Director proposed for re-election at the AGM has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

Biographical Details of Directors and Senior Management

The biographical details of the Directors and senior management of the Group are disclosed in the section headed "Biographical Details of the Directors and Senior Management" on pages 17 to 22 of this annual report.

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 2016 interim report of the Company were as follows:

On 12 January 2017, Mr. Tse Chi Shing has been appointed as an independent non-executive Director of the Company and appointed as chairman of the remuneration committee. He was also appointed as chairman of the nomination committee on 10 March 2017.

On 10 March 2017, Mr. Wong Kang Man has been appointed as a non-executive director of the Company and a member of the nomination committee.

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 2016 interim report.

Management Contracts

Save for the service contract, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

Permitted Indemnity Provisions

Pursuant to Article 164 of the Articles of Association of the Company, the Directors, Secretary and other officers and every auditor for the time being of the Company and the liquidator or trustees (if any) for the time being acting in relation to any of the affairs of the Company and everyone of them, and everyone of their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

Such provision was in force during the Year. In addition, the Company has also maintained Directors and officers liability insurance during the period from 12 July 2016, the listing date, and 31 December 2016 (the "Period").

Directors' Remuneration

The Directors' fees are subject to shareholders' approval at annual general meeting. Other emoluments are determined by the Board of the Company with reference to the recommendations by remuneration committee of the Company, directors' duties, responsibilities and performance and the results of the Group. The remuneration of Directors (including executive Directors and independent non-executive Directors) on named basics are set out in note 32 to the consolidated Financial Statements.

Directors' Material Interests in Transactions, Arrangements and Contracts that are Significant in Relation to the Company's Business

No transactions, arrangements or contracts that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had, directly or indirectly, a material interest subsisted at the end of the Year or at any time during the Year.

Related Parties Transactions

Details of the related parties transactions undertaken in the normal course of business are set out in note 30 to the Consolidated Financial Statements. None of them constitutes a discloseable connected transaction under the GEM Listing Rules.

Non-compete Undertaking

Legend Investments International Limited ("Legend Investments") gave a non-competition undertaking in favour of the Company, pursuant to which Legend Investments undertake and covenant with the Company that they shall not, and shall procure any covenantor and their close associates and any company directly or indirectly controlled by the covenantor not to, except through any member of the Group, directly or indirectly (whether on our own account or with each other or in conjunction with or on behalf of any person or company, or as principal or agent, through any body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise), carry on, engage in, invest or acquire or hold any rights or be interested or otherwise involved in any business that is similar to or in competition directly or indirectly (in each case whether as a shareholder, director, partner, agent or otherwise and whether for profit, reward or otherwise) with any business currently and from time to time engaged by the Group in Hong Kong and any other country or jurisdiction to which the Group carries on the business from time to time.

The Company has received the confirmation from Legend Investments in respect of their compliance with the terms of non-competition undertaking for the Period.

The independent non-executive Directors had reviewed and confirmed that Legend Investments have complied with the non-competition undertaking and the non-competition undertaking has been enforced by the Company in accordance with its terms for the Period.

Share Option Scheme

The Company has conditionally adopted the share option scheme ("Share Option Scheme"), which was approved by written resolutions passed by its sole Shareholder on 15 June 2016 and became unconditional on 12 July 2016. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

The Share Option Scheme is valid and effective for a period of 10 years from 12 July 2016, after which no further options will be granted or offered.

As at 31 December 2016, there was no option outstanding, granted, cancelled, exercised or lapsed.

REPORT OF THE DIRECTORS (CONTINUED)

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

Apart from the aforesaid Share Option Schemes, at no time during the year ended 31 December 2016 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.

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 31 December 2016, the interests and short positions of directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long position in the ordinary shares and underlying shares of the Company

(i) Interests in the Company

Interests in ordinary shares

Name of directors	Personal interests	Family interests	Corporate interests	Total interests in ordinary shares	Total interests in underlying shares	Aggregate interests	% of the Company's issued voting shares
Mr. Yau Chung Ping ^{Note 1}	—	—	360,000,000	360,000,000	—	360,000,000	75%
Ms. Sz Kit ^{Note 1}	—	—	360,000,000	360,000,000	—	360,000,000	75%
Ms. Wu Kar Wai ^{Note 2}	—	360,000,000	—	360,000,000	—	360,000,000	75%

Notes:

- The 360,000,000 shares are beneficially held by Legend Investments International Limited ("Legend Investments"), which is legally and beneficially owned as to 80% by Mr. Yau Chung Ping ("Mr. Yau") and as to 20% by Ms. Sz Kit ("Ms. Sz"). Accordingly, Mr. Yau and Ms. Sz are deemed to be interested in 360,000,000 shares held by Legend Investments International Limited by virtue of the SFO. Mr. Yau and Ms. Sz are directors of Legend Investments.

Subsequent to 31 December 2016 and on 16 January 2017, Legend Investments disposed 119,996,000 shares. Upon the aforesaid disposal, Legend Investments held 240,004,000 shares, representing approximately 50.0% of the total issued share capital of the Company as at the date of this report. Mr. Yau and Ms. Sz are deemed or taken to be interested in all shares of the Company beneficially owned by Legend Investments for the purpose of the SFO.

- Ms. Wu Kar Wai, an executive director of the Company, is the spouse of Mr. Yau and is therefore deemed to be interested in all the shares held/owned by Mr. Yau (by himself or through Legend Investments) by virtue of SFO as at 31 December 2016. Ms. Wu Kar Wai resigned as an executive director on 10 March 2017.

REPORT OF THE DIRECTORS (CONTINUED)

(ii) Interests in the associated corporation

Name of directors	Name of associated corporation	Capacity/Nature	No. of shares held	% of the issued voting shares of associate corporation
Mr. Yau Chung Ping	Legend Investments International Limited	Interest in controlled corporation	80	80%
Ms. Sz Kit	Legend Investments International Limited	Interest in controlled corporation	20	20%

Save as disclosed above, as at 31 December 2016, none of the directors and chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the standards of dealing by directors as referred to in Rule 5.48 to 5.67 of the GEM Listing Rules.

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

As at 31 December 2016, 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 shares held	% of the Company's issued voting shares
Legend Investments International Limited ^{Note 1}	Beneficial owner	360,000,000	75%

Note :

- Subsequent to 31 December 2016 and on 16 January 2017, Legend Investments disposed 119,996,000 shares. Upon the aforesaid disposal, Legend Investments held 240,004,000 shares, representing approximately 50.0% of the total issued share capital of the Company as at the date of this report.

Save as disclosed above, as at 31 December 2016, 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.

Competition and Conflict of Interests

During the Period, none of the directors, the management shareholders or substantial shareholders of the Company or any of their respective 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.

Subsequent to the end of the Year and on 10 March 2017, Mr. Wong Kang Man ("Mr. Wong") was appointed as a non-executive Director. Mr. Wong has also been the director of sales & marketing at TSBE Design Consultant Limited, an interior design firm in Hong Kong since October 2012, which may be considered to compete or is likely to compete, either directly or indirectly, with the businesses of the Group.

The Board agrees that the power to make material business decisions for the Group is vested in the Board as a whole. Whenever the Board considers that there may be a conflict of interest between the Group and any Director, such Director (including Mr. Wong) will be required to abstain from voting. Therefore, the Board is capable of carrying on the Group's business independently of, and at arm's length, from the business of Mr. Wong.

Pursuant to the letter of appointment entered into between the Company and Mr. Wong on 10 March 2017, Mr. Wong agreed to disclose all material information to the Board in case of any doubt as to whether he is in any actual or potential conflict of interest with the Company.

Interests of the Compliance Adviser

As notified by VBG Capital Limited, the compliance adviser of the Company, save for the compliance adviser agreement entered into between the Company and VBG Capital limited dated 11 March 2016, neither VBG Capital Limited nor any of its close associates (as defined in the GEM Listing Rules) and none of the directors or employees of VBG Capital Limited had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 December 2016.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company as at the latest practicable date prior to the issue of this report, the Company has maintained the prescribed public float under the GEM Listing Rules of at least 25% of the Company's total number of issued shares which was held by the public.

Corporate Governance Report

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 35 to 49 in this annual report.

Disposal of Shares by the Controlling Shareholder

On 16 January 2017, Legend Investments International Limited ("Legend Investments"), which is legally and beneficially owned as to 80% by Mr. Yau Chung Ping and as to 20% by Ms. Sz Kit, both are executive directors of the Company, disposed 119,996,000 shares of the Company to various independent third parties at HK\$0.395 per share. Upon the aforesaid disposal, Legend Investments held 240,004,000 shares, representing approximately 50.0% of the total issued share capital of the Company.

Closure of the Register of Members

The Register of Members of the Company will be closed from 8 May 2017 to 12 May 2017 (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at the AGM of the Company, all transfer document, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 5 May 2017.

Auditors

The Consolidated Financial Statements have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment. A resolution to re-appoint the retiring auditors is to be proposed at the AGM.

By order of the Board
AL Group Limited

Yau Chung Ping

Chief Executive Officer and Executive Director

Hong Kong, 24 March 2017

Corporate Governance Principles and Practices

The Board and the management of the Company are committed to the maintenance of good corporate governance, practices and procedures. The Company believes that good corporate governance provides a solid foundation for the Group to manage business risks and is also one of the key factors leading to the success of the Company so as to balance the interests of shareholders, customers and employees. The Board is devoted to ongoing enhancements and review of the efficiency and effectiveness of such principles and practices to ensure that all of them are in line with corporate governance best practices.

During the Period, 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.

The Board of Directors

Composition and Responsibilities

Throughout the Period, the Board comprises six Directors. As at the date of this annual report, there are two executive Directors, one non-executive Director and three independent non-executive Directors of the Company. The composition of the Board is as follows:

Executive Directors

Mr. Yau Chung Ping (*Chief Executive Officer*)

Ms. Sz Kit

Ms. Wu Kar Wai (resigned on 10 March 2017)

Non-executive Director

Wong Kang Man (appointed on 10 March 2017)

Independent Non-executive Directors

Mr. Lau Chun Wah, Davy (*Chairman*)

Ms. Lee Hau Yan, Hannah

Mr. Tse Chi Shing (appointed on 12 January 2017)

Mr. Neo Sei Lin, Christopher (resigned on 12 January 2017)

During the Period, there was no change in the composition of the Board. Subsequent to the end of the Year, on 12 January 2017, Mr. Neo Sei Lin, Christopher resigned as an independent non-executive Director as he is relocating out of Hong Kong to take up a new job opportunity in Southeast Asia and also to devote more time on the board of another Hong Kong listed company that he is currently serving. On 10 March 2017, Ms. Wu Kar Wai resigned as an executive Director as she decides to devote more time to her new born.

On 12 January 2017, the Company announced that Mr. Tse Chi Shing has been appointed as an independent non-executive Director of the Company. On 10 March 2017, the Company announced that Mr. Wong Kang Man has been appointed as a non-executive director of the Company.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The biographical details and responsibilities of the Directors as well as the senior management are set out in the section "Biographical Details of the Directors and Senior Management" on pages 17 to 22. The updated list of Directors and their role and function are published at the GEM website and the Company's website at www.AL-Grp.com.

Save as disclosed in the section headed "Biographical Details of the Directors and Senior Management" to this annual report, the Directors have no other financial, business, family or other material/relevant relationships with each other.

The Board is accountable to shareholders for the Company's performance and activities. While the Board is primarily overseeing and managing the Company's affairs, the Chairman of the Board help the Board to provide the Company with effective leadership and ensure the continuing effectiveness of the management team and the high standards of probity within the Company. The executive Directors constituting the senior management of the Company are delegated with responsibilities in the day-to-day management of the Company and make operational and business decisions within the control of and delegation framework of the Company. The independent non-executive Directors contribute valuable views and proposals for the Board's deliberation and decisions.

The Company has throughout the Period met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications, accounting or related financial management expertise. At all times during the Period, the independent non-executive Directors represent at least one-third of the Board.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received a written confirmation from each of the independent non-executive Directors in respect of their independence for the Period. The Board considers that all independent non-executive Directors are being considered to be independent by reference to the factors stated in the GEM Listing Rules throughout the Period.

The roles of the Chairman and the Chief Executive Officer of the Company are separated. Mr. Lau Chun Wah, Davy is the non-executive Chairman of the Board. The primary role of the Chairman is to help the Board to provide the Company with effective leadership and ensure the continuing effectiveness of the management team and the high standards of probity within the Company. Mr. Yau Chung Ping is the Chief Executive Officer of the Company. Apart from being responsible for formulating the corporate strategies and meeting the overall business objectives of the Group, Mr. Yau is also involved with client development, new business initiatives and overall design and project management for the Group's clients.

Other matters reserved for the Board include consideration of dividend policy, approval of major investments, maintenance of an adequate system of internal controls and review of the corporate governance practices of the Group. Daily operations and administration are delegated to management teams.

Procedure for Seeking Independent Professional Advice by Directors

The Company has agreed to provide separate independent professional advice and sufficient resources to Directors and all Board Committees to assist them to discharge their duties in compliance with the GEM Listing Rules and CG Code. The Company will consider to develop written procedures to enable Directors and members of all Board Committees, upon reasonable request, to seek and be provided with independent professional advice in appropriate circumstances, at the Company's expense.

The Company has subscribed an insurance policy with an aim to indemnify its Directors and senior management from any losses, damages, liabilities and expenses arising from, including but not limited to, any proceedings brought against them during the performance of their duties pursuant to their respective services agreements entered into with the Company.

Board Meetings

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors. The Directors make every effort to contribute to the formulation of policy, decision-making and the development of the Group's business.

For the year ended 31 December 2016, a total of 5 Board meetings were held. During the Period, a total of 2 Board meetings were held. Apart from the meetings of the Board, remuneration committee, nomination committee and audit committee, written approval from the Board and Board committees had also been obtained by written resolutions on a number of matters.

During the Period, the Chairman of the Company has held a meeting with independent non-executive directors without the presence of the executive directors.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Directors' Attendance at Board/Board Committee/General Meetings

Here below are details of all Directors' attendance at the board meeting, board committee meetings and general meeting held during the Period:

	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Yau Chung Ping	2/2	N/A	1/1	N/A
Sz Kit	1/2	N/A	N/A	N/A
Wu Kar Wai ^(note 1)	2/2	N/A	N/A	1/1
Non-executive Director				
Wong Kang Man ^(note 2)	—	—	—	—
Independent Non-executive Directors				
Lau Chun Wah, Davy	2/2	2/2	N/A	1/1
Lee Hau Yan, Hannah	2/2	2/2	1/1	N/A
Neo Sei Lin, Christopher ^(note 3)	2/2	2/2	1/1	1/1
Tse Chi Shing ^(note 4)	—	—	—	—

Note 1: Resigned on 10 March 2017

Note 2: Appointed on 10 March 2017

Note 3: Resigned on 12 January 2017

Note 4: Appointed on 12 January 2017

The Company was incorporated in Caymans Islands on 1 February 2016 and registered in Hong Kong on 10 March 2016 under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The Company shall hold its first annual general meeting by 30 June 2017. At the annual general meeting, the chairman of the Board as well as chairmen of the nomination committee, remuneration committee and audit committee or, in their absence, other members of the respective committees shall attend to answer questions from shareholders at the annual general meeting.

Appropriate notices are given to all Directors in advance for attending regular and other board or board committee meetings. Meeting agendas and other relevant information are provided to the Directors in advance of board or board committee meetings. All Directors are consulted to include additional matters in the agenda for such meetings.

Directors have access to the advice and services of the Company Secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.

Both draft and final versions of the minutes will be sent to all Directors for their comment and records. Minutes of board and board committee meetings are kept by the Company Secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director.

CORPORATE GOVERNANCE REPORT (CONTINUED)

All directors are also entitled to have access to board papers and related materials. These papers and related materials are in a form and quality sufficient to enable the board to make informed decisions on matters placed before it. Queries raised by directors shall receive a prompt and full response by the management.

Appointment, Re-election and Removal

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service contract and/or letter of appointment with the Company for a fixed term of one year commencing on 12 July 2016 (except for Mr. Tse Chi Shing and Mr. Wong Kang Man) and will continue thereafter until terminated in accordance with the terms of the service agreement. The aforesaid service contracts and/or the letters of appointment may be terminated by not less than one month's notice in writing served by either party on the other.

In accordance with the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Such retiring Directors shall be eligible for re-election at the annual general meeting.

Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Confirmation of Independence

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines throughout the Period.

Code of Conduct for Securities Transactions by Directors

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 the Company during the Period.

Induction and Continuous Professional Trainings of Directors

Each newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements.

The Directors have also been informed of the requirement under Code Provision A.6.5 of the CG Code as set out in Appendix 15 to the GEM Listing Rules regarding continuous professional development.

During the Period, the Directors (including independent non-executive Directors) and senior management of the Company received continuous professional development and training on the corruption prevention & ethical governance ("Training Materials") conducted by Independent Commission Against Corruption to enhance their knowledge and skills as duties of a directors.

Ms. Sz Kit and Ms. Wu Kar Wai, both are executive Directors did not participate the training, confirmed that they have gone through the Training Materials and understand the relevant anti-corruption provisions.

The Company will keep on inviting professionals to conduct trainings to senior personnel (including all directors) of the Company so as to refresh their knowledge and to discharge their duty as director of a listed company.

Board Committees

Audit Committee

The Company established an audit committee on 15 June 2016 with written terms of reference 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 terms of reference of the audit committee are available on the websites of the Company and the Stock Exchange.

The responsibility of the audit committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting, risk management and internal control principles and procedures, and to provide advice and comments to the Board. The members meet regularly with the external auditor and/or the Company's senior management for the review, supervision and discussion of the Company's financial reporting, risk management and internal control procedures and ensure that the board and the management have discharged their duties to have an effective risk management and internal control systems.

The composition of the audit committee during the Period and up to the date of this report is as follows:

Independent non-executive Directors:

Ms. Lee Hau Yan, Hannah (*Chairlady*)

Mr. Lau Chun Wah, Davy

Mr. Tse Chi Shing (appointed on 12 January 2017)

Mr. Neo Sei Lin, Christopher (resigned on 12 January 2017)

None of the members of the audit committee is a former partner of the Company's existing auditing firm. Ms. Lee Hau Yan, Hannah, who has appropriate professional qualifications and experience in accounting matters, was appointed as the Chairman of the Audit Committee.

During the Period, the audit committee held two meetings. Details of the attendance of the members of the audit committee in the said meetings are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The summary of work of the audit committee during the Period is as follows:

- met with the external auditors, reviewed and made recommendations for the Board's approval on the annual, interim and quarterly reports of the Company;
- reviewed and approved audit fee;
- recommended the re-appointment of PricewaterhouseCoopers as auditors, subject to the Shareholders' approval at the annual general meeting;
- reviewed the non-competition undertaking by the Controlling Shareholders of the Company;
- reviewed the effectiveness of the Company's risk management and internal control systems; and
- reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

Remuneration Committee

The Company established the remuneration committee on 15 June 2016 with written terms of reference in compliance with the CG Code as set out in Appendix 15 to the GEM Listing Rules. The written terms of reference of the remuneration committee are available on the websites of the Company and the Stock Exchange.

The remuneration committee is responsible for formulating and making recommendations to the Board on the Company's emolument policy and on the establishment of a formal and transparent procedure for developing such policy. The Board expects the remuneration committee to exercise independent judgment and ensures that executive Directors do not participate in the determination of their own remuneration.

The composition of the remuneration committee during the Period and up to the date of this report is as follows:

Executive Director:

Mr. Yau Chung Ping

Independent non-executive Directors:

Mr. Tse Chi Shing (*Chairman*) (appointed on 12 January 2017)

Ms. Lee Hau Yan, Hannah

Mr. Neo Sei Lin, Christopher (*Chairman*) (resigned on 12 January 2017)

During the Period, the remuneration committee held one meeting. Details of the attendance of the members of the remuneration committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

The summary of work of the remuneration committee during the Year is as follows:

- reviewed and recommended to the Board on the Group's remuneration policy and strategy;
- reviewed and recommended to the Board on the remuneration packages of the executive Directors and senior management of the Company; and
- reviewed and recommended to the Board on the Directors' fees of independent non-executive Directors.

Nomination Committee

The Company established the nomination committee on 15 June 2016 with written terms of reference in compliance with the CG Code as set out in Appendix 15 to the GEM Listing Rules. The written terms of reference of the nomination committee are available on the websites of the Company and the Stock Exchange.

The primary duties of the nomination committee include reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Directors, assessing the independence of independent non-executive Directors and making recommendations to the Board on appointment and re-appointment of Directors.

The composition of the nomination committee is as follows:

Non-executive Director:

Mr. Wong Kang Man (appointed on 10 March 2017)

Independent non-executive Directors:

Mr. Tse Chi Shing (*Chairman*) (appointed on 12 January 2017)

Mr. Lau Chun Wah, Davy

Mr. Neo Sei Lin, Christopher (resigned on 12 January 2017)

Ms. Wu Kar Wai (*Chairman*) (resigned on 10 March 2017)

During the Period, the nomination committee held one meeting. Details of the attendance of the members of the nomination committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

The summary of work of the nomination committee during the Period is as follows:

- reviewed the existing Board's structure, size and composition;
- reviewed and assessed the independence of the independent non-executive Directors; and
- made recommendations on the retiring Directors at the 2017 AGM of the Company.

CORPORATE GOVERNANCE REPORT (CONTINUED)

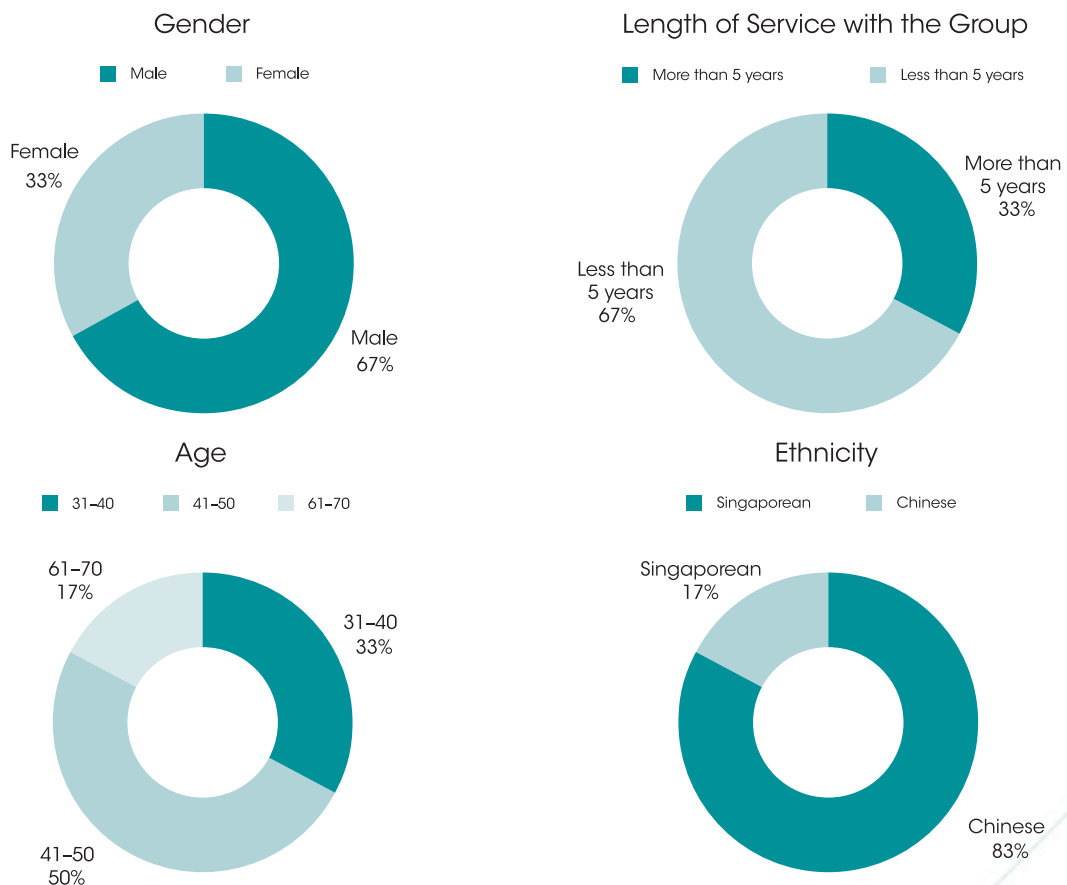
Board diversity policy

The Company recognises the benefits of having diversity in the composition of the Board and adopted its own board diversity policy on 15 June 2016.

The Company noted that that people from different backgrounds and with different professional and life experience are likely to approach problems in different ways and accordingly, members of the Board with diverse backgrounds will bring different concerns and questions to the table, and allow the Board to consider a wider range of options and solutions when deciding on corporate issues and formulating policies for the Group. In determining the Board's composition and selection of candidates to the Board, factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service will be considered. All Board appointments will be based on meritocracy, and candidates will be considered against the selection criteria, having regard for the benefits of diversity on the Board, the business model and specific needs of the Group. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Composition of the Diversified Board

Composition of the Board in terms of gender, length of service with the Group, age and ethnicity up to the date of this report is as follows:



Note: Nationality is based on passport and does not necessarily reflect ethnic origin.

The nomination committee has monitored the implementation of the board diversity policy since its adoption, and also reviewed it to ensure its effectiveness and concluded that no revision to the policy is required at the last nomination committee meeting held.

Corporate Governance Function

During the Period, the Board has reviewed the corporate governance practices of the Company with reference to the CG Code as set out in Appendix 15 to the GEM Listing Rules. The summary of their work of is as follows:

- reviewed the Company's policies and practices on corporate governance and make recommendations;
- reviewed and monitored the training and continuous professional development of Directors and senior management of the Group;
- reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
- developed, reviewed and monitored the code of conduct and compliance manual applicable to employees of the Group and the Directors; and
- reviewed the Company's compliance with CG Code and disclosure in the corporate governance report.

Remuneration of Directors and Senior Management

Emolument Policy

The remuneration policy of the Group is to ensure the fairness and competitiveness of total remuneration. The emoluments of executive Directors are determined based on the skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration the Company's performance and prevailing market conditions. The remuneration policy of non-executive Directors and independent non-executive Directors is to ensure that they are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in respective Board committees. Their emoluments are determined with reference to their skills, experience, knowledge, duties and market trends.

Accountability and Audit

Financial Reporting

The Board acknowledges its responsibility for the preparation of the Consolidated Financial Statements for the year ended 31 December 2016 which give a true and fair view of the state of affairs of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirement under the GEM Listing Rules. The financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement by auditor about their reporting responsibilities is set out in the independent auditor's report on pages 55 and 60 of the Consolidated Financial Statements.

External Auditors' Remuneration

The remuneration paid to PricewaterhouseCoopers, the external auditor of the Company in respect of the audit and non-audit services related to Listing amounted to HK\$2,413,000.

During the Year, the Company engaged PricewaterhouseCoopers as the external auditors. The fee in respect of audit services and non-audit services provided by PricewaterhouseCoopers for the year ended 31 December 2016 amounted to HK\$1,200,000 and HK\$218,200 respectively.

The audit committee has expressed its views to the Board that the level of fees paid/payable to the Company to the Company's external auditors for annual audit services is reasonable. There has been no major disagreement between the auditors and the management of the Company during the Year.

Risk Management and Internal Control Systems

Responsibility of the Board

The Board is committed to the maintenance of good corporate governance, practices and procedures, and implements an effective risk management and internal control systems of the Group. However, such systems are designed to manage rather than eliminate risk of failure to achieve business objective, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Our Risk Management and Internal Control Framework

Risk Management and Risk Assessment

The Board has the overall responsibilities of the risk management and internal controls systems of the Group. With the support from the Audit Committee, the Board monitors the Group's risk exposures, oversees the actions of management and monitors the overall effectiveness of the risk management system on an ongoing basis.

Management is responsible for setting the appropriate tone from the top, performing risk assessments, and owning the design, implementation and maintenance of internal controls. Essential to the Group's risk management and internal control systems are policies and procedures that are documented and communicated to employees.

To provide sound and effective risk management, the Group has established a risk management system which includes the following key features:

- An organisational structure for different responsible parties with defined authority, responsibilities and risk management roles;
- The Board sets forth the proper risk management culture and risk appetite for the Group, evaluates and determines the level of risk that the Group should take and monitor regularly;

- A Risk Management Policy has been established to provide a framework, which includes a risk assessment process, for the identification, analysis, evaluation, treatment, monitoring and reporting of the Group's key risks to support the achievement of the organisation's overall strategic objectives.

Risk assessment has been performed by management to evaluate the nature and extent of the risks to which the Group is willing to take in achieving its strategic objectives. During the risk assessment process, the Group has identified a number of key risks that may impact the Group's strategic objectives and to respond to the changes in the business and external environment. These risks are prioritised according to the likelihood of their occurrence and the significance of their impact on the business of the Group. Remedial measures are developed to manage these risks to an acceptable level. The results of risk assessment is reported to and discussed with the Board.

Internal Control

The Internal Audit Department is led by the Head of Internal Audit, who reports to the Audit Committee. The Internal Audit Department is primarily responsible for conducting reviews on the key operational processes and the related internal controls to ensure compliance with the Group's risk management and internal control policies and procedures.

An internal control review has been conducted during the year according to the internal audit plan approved by the Audit Committee. During the process of the internal control review, the Internal Audit Department identified internal control deficiencies and weakness, proposed recommendations for improvements and remedial actions with management and process owners. No material internal control deficiencies and weaknesses have been identified but improvements in various areas of internal control procedures have been suggested. Management has taken certain immediate remedial actions accordingly and has planned to refine certain internal control procedures in due course. The result of the internal control review and management's remedial actions have also been reported to the Audit Committee.

Review of Risk Management and Internal Control Systems

Through the Audit Committee, the Board has conducted an annual review of the effectiveness of the risk management and internal control systems of the Group and considered the risk management and internal control systems effective and adequate. The review covers all material controls, including financial, operational and compliance controls, and risk management functions. The scope and quality of ongoing monitoring of risks and the internal control systems have been assessed. No significant areas of concern that may affect the Group to achieve strategic goals have been identified.

The Board has also reviewed and is satisfied with the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions, and their training programmes and budget.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Inside Information

The Group has adopted and implemented its own disclosure policy aiming to provide a general guide to the directors and senior management of the Company in handling of confidential information and/or monitoring of information disclosure pursuant to applicable laws and regulations in compliance with the Listing Rules and Securities and Futures Ordinance (“SFO”).

The disclosure policy provides the procedures and internal controls for the handling and dissemination of inside information by publication of the announcement to the websites of the Stock Exchange and the Company on a timely basis to enable the public, namely shareholders, institutional investors, potential investors and other stakeholders of the Company to access the latest information of the Group, unless such information fall within the safe harbours with the SFO. Briefing and training on the implementation of the disclosure policy have been provided to Directors, officers and senior management of the Group. In addition, the relevant policy has been uploaded to the intranet of the Company for easy access by all employees. The Board emphasizes that only the authorised representatives registered in the Stock Exchange are authorised to speak on behalf of the Company.

Delegation by the Board

While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various board committees which have been established by the Board to deal with different aspects of the Company’s affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these board committees are governed by the Company’s articles of association as well as the Board’s policies and practices (in so far as the same are not in conflict with the provisions contained in the articles of association).

With the establishment of the Audit Committee, Remuneration Committee and Nomination Committee, the independent non-executive Directors will be able to effectively devote their time to perform the duties required by the respective board committees.

The Board has also delegated the responsibility of implementing its strategies and the day-to-day operation to the management of the Company under the leadership of the executive Directors. Clear guidance has been made as to the matters that should be reserved to the Board for its decision which include matters on, inter alia, capital, finance and financial reporting, internal controls, communication with shareholders, Board membership, delegation of authority and corporate governance.

Non-Competition Undertaking from Controlling Shareholders

The controlling shareholder (as defined in the GEM Listing Rules) of the Company gave a non-competition undertaking in favour of the Company and confirm that they and their associates have not breached the terms of the undertaking contained in the Non-competition Deed during the Period.

The Board comprising all the independent non-executive Directors, based on the written confirmation provided by the controlling shareholder, is of the view that the controlling shareholder has been in compliance with the non-competition undertaking in favour of the Company for the Period.

Company Secretary

The Company appointed Mr. Ng Chit Sing ("Mr. Ng"), an external service provider, as its company secretary on 25 February 2016. Mr. Chan Cheuk Him, financial controller, is the primary contact person to Mr. Ng at the Company in respect of any compliance and company secretarial matters of the Company.

The biographical details of Mr. Ng are set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report. During the Year, Mr. Ng, undertook over 15 hours' professional training to update his skill and knowledge in compliance with the CG Code.

Changes in Constitutional Documents

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published on the websites of the Company and the Stock Exchange its Memorandum and Articles of Association. During the Year, the shareholder has passed resolution on 15 June 2016 approving the adoption of amended and restated Memorandum and Articles of Association of the Company. Save as the aforesaid, there has been no changes in the constitutional documents of the Company.

Shareholders' Rights

The Way by Which Shareholders Can Convene Extraordinary General Meeting ("EGM")/Put Forward Proposal

According to Article 58 of the Articles of Association of the Company, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Article 85 of the Articles of Association provides that no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Accordingly, if a member of the Company wishes to propose a person other than a Director for election as a Director at the Company's general meeting ("Proposal"), he/she should lodge a written notice setting out the Proposal and his/her contact details to the head office and principal place of business of the Company.

The relevant procedures are set out in the circular to the shareholders which is sent together with this annual report and the Company's website at www.AL-Grp.com.

The Procedures for Sending Enquiries to the Board

Shareholders may send their enquiries and concerns in writing to the Board/company secretary by addressing them to the Company at our principal place of business in Hong Kong or by email through the Company's website.

Communication with Shareholders and Investors

The Company endeavors to maintain effective communications with the shareholders and potential investors of the Company.

Save as mentioned under the sub-heading "The Procedures for Sending Enquiries to the Board" above, in order to provide more relevant information to our shareholders, the Company has published all corporate information about the Group on its website at www.AL-Grp.com. It is a channel of the Company to communicate with the shareholders and potential investors with our latest corporate development. All our corporate communications, such as statutory announcement, circular and financial reports are available on the website for easy access by the shareholders and potential investors. In addition, the Company meets its shareholders at the annual general meeting so as to promote the development of the Company through mutual and efficient communications.

The forthcoming annual general meeting of the Company is scheduled to be held on Friday, 12 May 2017. At the annual general meeting, the chairman of the Board as well as chairmen of the nomination committee, remuneration committee and audit committee or, in their absence, other members of the respective committees shall attend to answer questions from shareholders at the annual general meeting. The representatives of the external auditors shall also present and available to answer questions at the meeting.

The notice of annual general meeting and the necessary information on issues to be considered in the annual general meeting will be set out in the circular to be dispatched to the shareholders of the Company in due course.

Hong Kong, 24 March 2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to the principles of good corporate governance, and strives to integrate corporate social responsibility into its business strategy and management approach. This report aims to provide the Group's stakeholders with an overview of the Group's efforts regarding environmental, social and governance ("ESG") impacts arising from its daily operations.

The Group is dedicated to cultivating a green, health and safety culture through the concerted efforts of all staff. Aiming to promote environmental, health and safety culture in the workplace, the Board has provided a balanced framework for the ESG measures in order to achieve the following objectives:

- Ensure compliance with all applicable ESG legislation;
- Reduce quantities of waste and pollutants reaching the environment;
- Promote ESG awareness among staff through on-the-job training and workshops;
- Provide a green, healthy and safe workplace for staff and visitors;
- Optimize the efficiency of energy use; and
- Continuously improve performance in various ESG aspects.

The Management is responsible for fostering ESG participation by our staff in the workplace and also plays a vital role in the development of ESG policies and programs.

Relationships with Key Stakeholders

The Group continues to engage its employees, customers, suppliers, investors, shareholders, and other stakeholders through different channels to develop mutually beneficial relationships and promote sustainability.

Employees are remunerated equitably and competitively. Details of continual training and development opportunities provided to them are set out in the "Development and Training" section below.

The Group is committed to delivering excellent services to its customers. For details, please refer to the "Customer Services" section below.

The Group partners with service providers that reflect its values and commitment. For details, please refer to the "Supply Chain Management" section below.

The Company maintains ongoing dialogues with its investors and shareholders. For details, please refer to the section "Communication with Shareholders and Investors" on page 49 of the Corporate Governance Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

A. Environmental Protection

Environment Policies

During the year, the Group has continued to make its best endeavors to minimize any impact to the environment from its business activities and workplace. The Group also educates its employees on the awareness of promoting a “green” environment. Various measures have been adopted to reduce the use of energy and other resources, minimize waste and increase recycling. These measures are discussed in the “Use of Resources” and “The Environment and Natural Resources” sections below.

Power-saving Measures

The Group aims to maximise energy conservation in its office by promoting efficient use of power and adopting green technologies. For instance, the Group continues to upgrade equipment such as lighting and air-conditioning systems in order to increase energy efficiency. Air-conditioning systems can be adjusted to a specific temperature, which allows the users to set at a comfortable temperature and avoid power waste. Traditional fluorescent tubes have been replaced with energy-efficient LED light strips to save power. To identify energy saving opportunities, the Group measures and records the energy consumption level from time to time. The Group has also retained World Green Organisation to conduct Green Audit in February 2017 with satisfactory results.

Paperless Environment

Paperless working environment does not only reduces waste but can also achieve commercial goals, as it can save office space to store and print, facilitate information sharing via faster computer networks and reduce tedious documentation procedures. The Group has implemented paperless processing in its internal communications by using social app and email. Moreover, duplex printing and copying has become the norm within the Group, greatly reducing paper consumption and saving costs. Usage data of office printing machines is regularly collected and assessed to monitor the efficiency of a paperless environment.

The Group’s corporate communications are made available to shareholders through the websites of the Stock Exchange and the Company, which is meant to reduce printed materials to be produced and distributed. By introducing electronic means of corporate communications to shareholders, the quantity of printed materials can be considerably reduced.

B. Workplace Quality

Diversified Workforce

The Group believes that a motivated and balanced workforce is crucial for building a sustainable business model and delivering long-term returns.

The Group's workforce has a diversified portfolio in terms of gender and age, which the Group believes can provide a variety of ideas and levels of competencies that contribute to the Group's success. The Group is firmly committed to gender equality, and therefore particularly encourages female participation in the Board and at managerial and operational levels. Staff turnover rate among managerial and senior positions is relatively low, reflecting a high level of employee satisfaction and engagement with the Group.

The Group considers that employees are the most important assets for the Group, and remains committed to attracting and retaining talent with diverse backgrounds for achieving sustainable growth.

Health and Safety

The Group values the health and well-being of our staff. Our staff are entitled to benefits including medical and travel insurance, provident funds and other competitive fringe benefits.

The Group prides itself on providing a safe, efficient and congenial work environment for its staff. Adequate arrangements, training courses and guidelines are implemented to ensure the working environment is healthy and safe. During the Year, the Group has offered a range of activities and initiatives to enhance the health and well-being of its employees, such as company trip, charity walk, etc.

In case of injury, the incident is required to be reported to the management and be individually assessed according to the internal guidelines. The Group is pleased to report that the rate of accidents and injuries during the year was negligible.

The Group believes that the work-life balance of our staff is essential for a sound body and mind for them as well as our business sustainability. To support employees in maintaining a work-life balance, the Group organizes a variety of activities for employees, such as sports programs, voluntary visits, rural outings and team-building activities. All these activities help strengthen the relationships between employees, and foster a healthy and harmonious working environment.

Training and Development

The Group recognizes the importance of skilled and professionally trained employees to its business growth and future success. Given the growing complexity and sophistication of the marketplace, the Group supports its staff to develop and enhance their knowledge, skills and work capability. The Group's policy is to encourage and provide subsidies to employees at all levels to pursue educational or training opportunities that achieve personal growth and professional development.

As the Group retains its position at the forefront of the vibrant market, the employees actively pursue professional training to enhance their technical knowledge and keep abreast of the latest industry developments. During the year, the Group conducted in-house seminars and training covering updates to rules and regulations, in order to maintain the highest standard of professionalism by our employees. All technical/professional staff should attend continuous professional development training organized by appropriate institutions, if applicable.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

C. Operating Practice

Supply Chain Management

The Group values mutually beneficial and long-standing relationships with its suppliers and sub-contractors. The Group works closely with a number of suppliers and sub-contractors. The selection of suppliers and sub-contractors are based on criteria such as price, quality of work performed, capability and experience, with preference given to potential suppliers and sub-contractors who demonstrate their commitment to the environment.

Customer Services

The Group has earned trusted relationships with its broad customer base out of the years of providing dedicated customer services. The Group makes every effort to promptly and equitably investigate and resolve all disputes with, and complaints lodged by customers.

The Group has set up designated channels — including hotline, facsimile and email — for clients to lodge complaints. All complaints received through these channels are diverted to and handled by the Customer Service Officer and if appropriate, by any staff responsible by the corresponding projects. Upon receipt of complaint, the Customer Service Officer will investigate in a timely manner and report the findings to management. Management shall review the complaint and determine whether internal control procedures need to be further improved and other appropriate action is required to be taken.

During the year, as a result of its dedicated services and professionalism, the Group received the following awards:

- Hong Kong Outstanding Enterprises Award 2016 organized by Economic Digest
- GoHome Awards 2016 — Best Interior Design — Office Design organized by Gohome.com.hk

Intellectual Property

The Group protects its intellectual property rights by registration of internet domain names and its trademark. The Group has a registered trademark in Hong Kong. In addition, the Group's trademarks and domain names are constantly monitored and renewed upon their expiration.

All staffs have signed employment contract which included terms to acknowledge ownership of all design layouts for clients by the Company and keep strict confidentiality.

Anti-corruption

In order to build up an ethical corporate culture and practices, the Group has established policies and procedures for anti-corruption. This policies set forth procedures for customer screening and monitoring requirements, record keeping requirements, and reporting suspicious circumstances in accordance with the relevant laws, codes and guidelines issued by the regulatory authorities.

Employees have been given training and briefings organised by the Group regarding anti-corruption regulations and the Group's corresponding policies. The Group has also adopted a whistleblowing policy for all levels to raise concerns, in confidence, about possible improprieties in any matter related to the Group.

During the year, no case regarding corrupt practices was brought against the Group or its employees. Also, no whistleblowing concerning a criminal offence or misconduct was reported.

Compliance with Laws and Regulations

The Compliance Officer, as assisted by the Company Secretary, reviews and monitors the policies and practices relating to compliance with legal and regulatory requirements that have significant impact on the Group. The Group also works with our legal advisor to ensure the Group is complied with the Listing Rules of Hong Kong in all material aspects.

Updates on the applicable laws, rules and regulations are brought to the attention of relevant employees and departments from time to time. The management ensures that business is conducted in accordance with the applicable laws and regulations.

D. Community Involvement

The Group is committed to the improvement of community well-being and social services. The Group has formulated, or planned to formulate, various community activities spanning elderly welfare and hospice care services, healthcare, education, sports, environmental conservation, and helping underprivileged children. The Group's management team plays an important role in mobilising staff to join all these activities, which are held in tandem with its commitment to sustainable development. The Group believes that by encouraging staff to participate in a wide range of charitable events, concern for the community will be raised, inspiring more people to take part in serving the community.

During the year, the Group supported a wide range of community sponsorship and donation programmes, it has:

- Donated two scholarships for the academic year 2016/17 to local full-time first-year or final-year students from BA (Hons) Scheme in Design majoring in Environment and Interior Design offered by the School of Design from The Hong Kong Polytechnic University
- Awarded the "Caring Company" designation by the Hong Kong Council of Social Service in 2016
- Joined the Green Power Hike 2017 to donate fund to support the local efforts in environmental protection
- Joined the Orbis Walk for Sight 2017 to donate fund to support Orbis in its blindness prevention
- Made cash donation to Tung Wah Group of Hospitals, Save the Children, etc.



TO THE SHAREHOLDERS OF AL GROUP LIMITED
(incorporated in Cayman Islands with limited liability)

羅兵咸永道

Opinion

What we have audited

The consolidated financial statements of AL Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 61 to 107, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Recognition of contract revenue
- Impairment assessment of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Recognition of contract revenue <i>Refer to notes 2.11, 2.18, 4 and 5 to the consolidated financial statements</i></p> <p>The Group recorded revenue from design and fit out service for the year ended 31 December 2016 of HK\$81 million (2015: HK\$77 million).</p> <p>Revenue are recognised according to the stage of completion of individual contracts, calculated on the proportion of total costs at the balance sheet date compared to the estimated total costs of the relevant contract, on the basis that the stage of completion and the total costs of the design and fit out work can be measured reliably.</p> <p>We focused on this area as considerable judgement is used to determine the stage of completion and estimate the costs to complete individual design and fit out contracts for the projects in progress as at year end date.</p>	<p>Our procedures in relation to management's recognition of contract revenue included the evaluation of the appropriateness of the assumptions and estimates for which management has adopted to measure the stage of contract completion and the margin and the total costs of design and fit out projects.</p> <p>We tested, on a sample basis, the ongoing design and fit out contracts, selected based on both quantitative and qualitative factors, as at year end date. Our audit procedures specifically focused on:</p> <ul style="list-style-type: none">• Checking the contractual terms of the work in order to understand their work nature and contractual relationships with the customers; Checking correspondences with the customers, including the agreed documents or communication evidence to evaluate the reasonableness of management's estimates on the budgeted total contract sum;

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment assessment of trade receivables <i>Refer to notes 2.9, 4 and 18 to the consolidated financial statements</i></p> <p>The Group had gross trade receivables of approximately HK\$22.8 million that were past due as at 31 December 2016 (2015: HK\$21.2 million) and trade receivables of HK\$0.4 million (2015: Nil) were impaired and provided for as at year end.</p> <p>Management performed impairment assessment of the trade receivables based on information including aging of the trade receivables, past repayment history, subsequent settlement status, credit profile of the customers and on-going trading relationship with the relevant customers. Based on this assessment, management has concluded that the trade receivables of HK\$22.4 million past due as at 31 December 2016 were not impaired.</p>	<ul style="list-style-type: none"> • Assessing management's determination of the stage of completion of the selected projects through inquiry with project managers, inspection of project status reports and, other correspondences with the customers and performing site visits; • Considering the reasonableness of forecasted costs to complete and expected margins by comparing them to management's budgets and actual costs incurred for the projects as well as margins of similar projects. Furthermore, we assess if historical estimates of projects revenue and margin in the past years were reasonable based on amounts finally invoiced and settled. <p>We found management's judgement used to determine the stage of completion and estimated costs to complete projects in progress as at year end to be supported by available evidence.</p> <p>Our procedures in relation to management's impairment assessment of the trade receivables past due as at 31 December 2016 included evaluation of management's assessment in relation to the recoverability of the past due trade receivables.</p> <p>Our audit procedures focused on the following:</p> <ul style="list-style-type: none"> • Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk; • Understanding the status of each of the material trade receivables past due as at year end, the Group's on-going business relationship with the relevant customers and past repayment history of the customers through discussion with management;

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
We focused on this area due to the size of the trade receivables past due as at 31 December 2016 and the significant management judgement used to evaluate the recoverability of such balances.	<ul style="list-style-type: none">• Checking, on a sample basis, the aging profile of the trade receivables as at 31 December 2016 to the underlying financial records and post year-end settlements to bank receipts; and• Corroborating explanations from management with supporting evidence, such as correspondence with customers, public search of the customers' profiles as we evaluate management's judgements. <p>We found that the management's judgement used to assess the impairment of the trade receivables past due as at year end to be supported by available evidence.</p>

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Chi Hang, Benson.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 HK\$	2015 HK\$
Revenue	5	87,588,426	84,511,670
Other income	6	84,462	76,573
Other losses	7	(13,750)	(308,719)
Subcontracting and materials costs		(59,963,184)	(55,505,971)
Employee benefit expenses	9	(12,836,662)	(7,156,314)
Rental expenses		(1,575,026)	(669,352)
Listing expenses		(13,207,777)	—
Other expenses	8	(6,789,834)	(2,775,535)
Operating (loss)/profit		(6,713,345)	18,172,352
Finance income	10	179,356	96,514
(Loss)/profit before income tax		(6,533,989)	18,268,866
Income tax expense	11	(1,295,148)	(2,975,102)
(Loss)/profit for the year attributable to owners of the Company		(7,829,137)	15,293,764
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Fair value gains on available-for-sale financial assets		22,081	—
Other comprehensive income for the year, net of tax		22,081	—
Total comprehensive (loss)/income for the year attributable to owners of the Company		(7,807,056)	15,293,764
Basic and diluted (loss)/earnings per share attributable to owners of the Company	13	(0.02)	0.04

The notes on pages 65 to 107 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Notes	2016 HK\$	2015 HK\$
ASSETS			
Non-current assets			
Available-for-sale financial assets	14	1,378,464	1,271,921
Property, plant and equipment	15	3,807,406	116,863
Rental deposits	18	317,200	—
		5,503,070	1,388,784
Current assets			
Trade and other receivables	18	24,731,551	21,706,224
Amounts due from customers for contract work	19	9,557,669	1,480,160
Amount due from a related company	22	—	2,789,826
Amounts due from directors	23	—	1,085,195
Prepaid tax		2,236,605	—
Cash and bank balances	20	66,046,905	12,695,225
		102,572,730	39,756,630
Total assets		108,075,800	41,145,414
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	4,800,000	—
Share premium	25	65,336,977	—
Other reserve	26	5,921,989	10,000
Available-for-sale financial assets revaluation		22,081	—
Retained earnings		9,714,000	17,543,137
Total equity		85,795,047	17,553,137
LIABILITIES			
Current liabilities			
Trade and other payables	21	21,625,125	19,916,457
Amounts due to customers for contract work	19	535,800	520,488
Amount due to a director	23	—	745,899
Deferred income tax liabilities	24	119,828	—
Current income tax liabilities		—	2,409,433
Total liabilities		22,280,753	23,592,277
Total equity and liabilities		108,075,800	41,145,414

The financial statements on pages 61 to 107 were approved by the Board of Directors on 24 March 2017 and were signed on its behalf:

Yau Chung Ping
Director

Sz Kit
Director

The notes on pages 65 to 107 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital HK\$	Share premium HK\$	Other reserve (Note 26) HK\$	Available-for- sale financial assets revaluation reserve HK\$	Retained earnings HK\$	Total HK\$
As at 1 January 2015	—	—	10,000	—	7,749,373	7,759,373
Total comprehensive income	—	—	—	—	15,293,764	15,293,764
Transaction with owners in their capacity as owners						
Dividends paid (Note 12)	—	—	—	—	(5,500,000)	(5,500,000)
As at 31 December 2015	—	—	10,000	—	17,543,137	17,553,137
As at 1 January 2016	—	—	10,000	—	17,543,137	17,553,137
Comprehensive loss						
Loss for the year	—	—	—	—	(7,829,137)	(7,829,137)
Other comprehensive income						
Fair value gains on available- for-sale financial assets (Note 14)	—	—	—	22,081	—	22,081
Total other comprehensive income, net of tax	—	—	—	22,081	—	22,081
Total comprehensive loss	—	—	—	22,081	(7,829,137)	(7,807,056)
Transaction with owners in their capacity as owners						
Issuance of shares (at the date of incorporation)	—	—	—	—	—	—
Issuance of shares pursuant to a group Reorganisation (Note 1.2(c) and (d))	1	—	5,911,989	—	—	5,911,990
Issuance of shares upon capitalisation (Note 1.2(e))	3,599,999	(3,599,999)	—	—	—	—
Share issued under share offer (Note 1.2(f))	1,200,000	75,600,000	—	—	—	76,800,000
Listing expenses charged to share premium (Note 1.2(f))	—	(6,663,024)	—	—	—	(6,663,024)
	4,800,000	65,336,977	5,911,989	—	—	76,048,966
As at 31 December 2016	4,800,000	65,336,977	5,921,989	22,081	9,714,000	85,795,047

The notes on pages 65 to 107 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 HK\$	2015 HK\$
Cash flows from operating activities			
Cash (used in)/generated from operations	27	(12,726,857)	3,185,336
Income tax paid		(5,821,358)	(794,748)
Net cash (used in)/generated from operating activities		(18,548,215)	2,390,588
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(4,507,449)	(20,248)
Decrease in short-term bank deposits	20	—	3,531,116
Increase in bank deposits with a maturity period over three months	20	(50,000,000)	—
Interest received		19,082	96,514
Net cash (used in)/generated from investing activities		(54,488,367)	3,607,382
Cash flows from financing activities			
Decrease/(increase) in amounts due from directors		1,085,195	(4,040,862)
(Decrease)/increase in amount due to a director		(745,899)	745,899
Proceeds from allotment of ordinary shares		76,800,000	—
Capital injection from controlling shareholders before the reorganisation		5,911,990	—
Payment for listing expenses (equity portion)		(6,663,024)	—
Net cash generated from/(used in) financing activities		76,388,262	(3,294,963)
Net increase in cash and cash equivalents		3,351,680	2,703,007
Cash and cash equivalents at the beginning of year		12,695,225	9,992,218
Cash and cash equivalents at the end of year	20	16,046,905	12,695,225

The notes on pages 65 to 107 are an integral part of these consolidated financial statements.

1 General Information and Reorganisation

1.1 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, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company has established a place of business in Hong Kong at Unit A, 35/F, EGL Tower, 83 Hung To Road, Kwun Tong, Hong Kong.

The Company is an investment holding company and together with its subsidiaries they principally provide interior design and fit out solutions as well as overall project management in Hong Kong (the "Listing Business"). The ultimate controlling parties of the Company are Mr. Yau Chung Ping ("Mr. Yau") and Ms. Sz Kit ("Ms. Sz"). The ultimate holding company of the Company is Legend Investments International Limited ("Legend Investments").

The shares of the Company were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited by way of placing (the "Listing") on 12 July 2016 (the "Listing Date").

These consolidated financial statements are presented in Hong Kong Dollars ("HK\$"), unless otherwise stated.

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation as described below, the business was primarily operated by companies now comprising the Group (collectively the "Subsidiaries"). The Subsidiaries were collectively controlled by Mr. Yau Chung Ping ("Mr. Yau") and Ms. Sz Kit ("Ms. Sz") immediately before and after the group reorganisation prior to the Listing (the "Reorganisation").

In preparation for the Listing, the Group underwent the Reorganisation which principally involved the following steps:

- (a) On 1 February 2016, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On its incorporation, 1 nil-paid share was allotted and issued to its subscriber, Sharon Pierson, an Independent Third Party, and which was subsequently transferred to Legend Investments, which is ultimately controlled by Mr. Yau and Ms. Sz, on the same date.
- (b) On 16 February 2016, AL Group International Limited ("AL Group International") was incorporated in British Virgin Islands ("BVI") and on the same day, 1 share of US\$1.00 was allotted and issued to the Company in cash at par.

1 General Information and Reorganisation (Continued)

1.2 Reorganisation (Continued)

- (c) On 10 June 2016, pursuant to a sale and purchase agreement dated 10 June 2016 entered into between Mr. Yau and Ms. Sz as vendors and warrantors and the Company as purchaser, Mr. Yau and Ms. Sz transferred their entire shareholding interest in AL Design to AL Group International at a consideration of (i) the Company allotting and issuing 49 shares to Legend Investments credited as fully paid and (ii) the Company crediting the 1 nil-paid share issued to Legend Investments as fully paid.
- (d) On 15 June 2016, pursuant to a sale and purchase agreement dated 15 June 2016 entered into between Mr. Yau and Ms. Sz as vendors and warrantors and the Company as purchaser, Mr. Yau and Ms. Sz transferred their entire shareholding interest in Legend One Contracting Limited ("Legend One") to AL Group International at a consideration of the Company allotting and issuing 50 shares to Legend Investments credited as fully paid.
- (e) The ordinary shares of the Company has been increased by 359,999,900 shares by way of additional issue of 359,999,900 shares at HK\$0.01 each on 6 July 2016 (the "Capitalisation Issue").
- (f) In connection with the Listing, 120,000,000 shares of HK\$0.01 each were issued at the offer price of HK\$0.64 to public investors with gross proceeds of HK\$76,800,000. HK\$1,200,000 was credited to the share capital account and HK\$68,936,976 (net of professional fee of HK\$6,663,024) was credited to the share premium account.

After the completion of the Reorganisation, the Company became the holding company of the companies now comprising the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied throughout the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) and requirements of the Hong Kong Companies ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKFRSs (Amendment)	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(b) *New standards and interpretations not yet adopted by the Group*

The following are new standards, amendments and interpretations that have been issued but not yet effective for the annual accounting period beginning 1 January 2016 and have not been early adopted by the Group:

Standards/Amendments	Subject	Effective for the accounting periods beginning on or after
HKAS 7 (Amendment)	Disclosure Initiative	1 January 2017
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019

The Group is in the process of making an assessment of the impact of these new standards and amendments to standards upon initial application but is not yet in a position to state whether these new standards and amendments to standards would have any significant impact on its results of operations and financial position.

2 Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) *Business combinations*

Except for the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2 Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(i) Business combinations (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors led by the Group's Chief Executive Officer ("C.E.O.") that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK\$, which is the Company's functional and the Group's presentation currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 Summary of Significant Accounting Policies (Continued)

2.4 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within "finance income". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "other losses".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2 Summary of Significant Accounting Policies (Continued)

2.5 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Computer equipment	3 years
Office equipment	3 years
Furniture	5 years
Motor vehicles	5 years
Leasehold improvements	5 years or the remaining lease term, whichever is shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "other expenses" in the consolidated statement of comprehensive income.

2.6 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Summary of Significant Accounting Policies (Continued)

2.7 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "amounts due from customers for contract work", "amount due from a related company", "amounts due from directors", and "cash and bank balances" in the consolidated balance sheet.

(ii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income as "gains and losses from investment securities".

Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

2 Summary of Significant Accounting Policies (Continued)

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.9 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held- to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 Summary of Significant Accounting Policies (Continued)

2.9 Impairment of financial assets (Continued)

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is reclassified from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

2.10 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.11 Construction contracts

Where the outcome of a construction contract in relation to provision of design, fit out and decoration services can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognized losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated balance sheet as a liability, as receipt in advances. Amounts billed for work performed but not yet paid by the customers are included in the consolidated balance sheet under trade receivables.

2 Summary of Significant Accounting Policies (Continued)

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction, net of tax, from the proceeds.

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of consolidated balance sheet in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Summary of Significant Accounting Policies (Continued)

2.15 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of consolidated balance sheet and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associates and joint ventures' undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of Significant Accounting Policies (Continued)

2.16 Employee benefits

(a) Pension obligation

The Group operates a defined contribution plan. The scheme is generally funded through payments to insurance companies or trustee-administered funds.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of consolidated balance sheet. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.17 Provision

Provisions for environment restoration, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 Summary of Significant Accounting Policies (Continued)

2.17 Provision (Continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

Sales of services

Design and fit out services income are recognised based on the stage of completion of the contracts as detailed in Note 2.11, provided that the stage of contract completion and the contract costs of the contracting work can be measured reliably.

2.19 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.20 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.21 Operating leases (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the statement of comprehensive income on a straight-line basis over the period of the leases.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies and evaluates financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, credit risk and investment of excess liquidity.

(a) Foreign exchange risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cash flows.

The management considers that the Group is not exposed to significant foreign currency risk as majority of its transactions are denominated in HK\$ (the functional currency of the Group) and there were only insignificant balances of financial assets and liabilities denominated in foreign currency at the end of the reporting period.

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

Credit risk of the Group mainly arises from trade receivables, deposits with banks, as well as credit exposures to customers such as amounts due from related parties and directors and other receivables. The carrying amounts of these balances in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

Majority of the Group's bank deposits are placed in a bank which is independently rated with a high credit rating. Management does not expect any losses from non-performance by this bank as it has no default history in the past.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The table below shows the details of bank deposit balances maintained at the respective balance sheet dates:

	Rating	2016 HK\$	2015 HK\$
Cash at banks and bank deposits	Note (i)	66,031,905	12,692,225

Note:

- (i) The rating represents long-term credit rating provided by Moody's, an internationally recognised credit rating agency. A rating within the "A" category is judged to be upper-medium grade and are subject to low credit risk under the rating regime of Moody's.

The credit quality of the debtors is assessed based on their financial positions, past experience and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors. As at 31 December 2016, the Group had a concentration of credit risk given that the top 5 customers account for 45% (2015: 38%) of the Group's total year end trade receivables balance. However, the Group concludes that the credit risk in relation to these customers is not significant because they have no history of default in recent years. The Group's historical experience in collection of receivables falls within recorded allowance and the directors do not expect any major impairment on trade receivables, and receivables from other counterparties.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents.

The Group's primary cash requirements have been for additions of property, plant and equipment, and payment for purchases, operating expenses and dividends. The Group mainly finances its working capital requirements through internal resources. The Group monitors and maintains a level of cash and cash equivalents considered adequate by the directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	On demand HK\$	Less than 1 year HK\$	Total HK\$
At 31 December 2016			
Trade and other payables excluding non-financial liabilities	—	11,518,334	11,518,334
At 31 December 2015			
Trade and other payables excluding non-financial liabilities	—	17,140,936	17,140,936
Amount due to a director	745,899	—	745,899
	745,899	17,140,936	17,886,835

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

Total capital of the Group is calculated as total equity less total borrowings, if any. Management considers that the Group's capital risk is minimal as there was no borrowing as at 31 December 2016 (2015: Same).

3.3 Fair value estimation

The carrying amounts of the Group's financial assets including cash and bank balances, receivables, amounts due from customers for contract work, amounts due from a related company and directors; and financial liabilities including payables, amounts due to customers for contract work approximate their fair values due to their short maturities. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

The carrying value of financial instruments measured at fair value at the balance sheet date are categorized among the three levels of the fair value hierarchy defined in HKFRS 13, "Fair value Measurement", with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- (ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
At 31 December 2016				
Available-for-sale financial assets				
Equity security				
— Listed securities	1,378,464	—	—	1,378,464

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
At 31 December 2015				
Available-for-sale financial assets				
Equity security				
— Listed securities	1,271,921	—	—	1,271,921

There were no transfers between levels 1, 2 and 3 during the year.

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments listed on the Hong Kong Stock Exchange classified as available-for-sale financial assets.

3 Financial Risk Management (Continued)

3.4 Offsetting financial assets and financial liabilities

No disclosure of the offsetting of financial assets and financial liabilities is made as there are no netting arrangements in place during the year.

4 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Recognition of contract revenue

Revenue are recognised according to the stage of completion of individual contracts, calculated on the proportion of total costs at the balance sheet date compared to the estimated total costs of the relevant contract, on the basis that the stage of contract completion and the total costs of the design and fit out work can be measured reliably.

Management assess the stage of completion of projects through the site visit of the project in progress at the year-end date. The Group reviews and revises the expected margin prepared for each construction contract as the contract progresses. Expected margins are prepared by the management on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted costs to complete and the actual amounts incurred for the projects. Such significant estimates may have an impact on the profit recognised in each year.

(b) Impairment of financial assets

The Group's management determines the provision for impairment of financial assets based on an assessment of the recoverability of the financial assets. The amount is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the provision at each balance sheet date.

(c) Useful lives and depreciation expenses for property, plant and equipment

Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Actual economic lives may differ from estimated useful lives. Periodic review could result in changes in useful lives and therefore depreciation expense in future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 Revenue and Segment Information

The executive directors of the Group, being the chief operating decision-makers, review the Group's internal reporting in order to assess performance and allocate resource. The Group focuses on provision of design, fit out and decoration services during the year. 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 from its major services during the year is as follows:

	2016 HK\$	2015 HK\$
Design and fit out	80,602,772	77,071,258
Design	4,400,000	4,100,000
Maintenance and aftersales services	2,585,654	3,340,412
	87,588,426	84,511,670

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 customer during the year is as follows:

Revenue from external customers

	2016 HK\$	2015 HK\$
Hong Kong	87,588,426	84,511,670

The Group's geographical segments are also classified by the location of assets. Information about the Group's non-current assets by geographical location are detailed as below:

Non-current assets

	2016 HK\$	2015 HK\$
Hong Kong	5,503,070	1,388,784

The Group's five largest customers accounted for approximately 50% of the Group's total revenue for each of the years ended 31 December 2016 (2015: 45%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AL Group

6 Other Income

	2016 HK\$	2015 HK\$
Dividend income on available-for-sale financial assets	84,462	76,573

7 Other Losses

	2016 HK\$	2015 HK\$
Foreign exchange losses	(13,750)	(77,879)
Impairment losses on available-for-sale financial assets	—	(230,840)
	(13,750)	(308,719)

8 Other Expenses

	2016 HK\$	2015 HK\$
Depreciation of property, plant and equipment (Note 15)	614,989	103,148
Auditor's remuneration		
— Audit services	1,200,000	300,000
— Non audit services	218,200	—
Legal and professional fees	1,172,076	1,302,695
Travelling and entertainment	1,045,038	446,769
Advertising costs	526,550	13,200
Write-off of property, plant and equipment (Note 15)	201,917	—
Building management fee	117,986	39,748
Donation	130,900	47,620
Office relocation expenses	232,772	—
Provision for impairment of trade receivables (Note 18)	394,779	—
Other expenses	934,627	522,355
	6,789,834	2,775,535

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9 Employee Benefit Expenses

	2016 HK\$	2015 HK\$
Salaries and allowances	12,071,844	6,773,875
Pension costs — defined contribution plans	435,980	305,042
Welfare and benefits	328,838	77,397
Total including directors' remuneration	12,836,662	7,156,314

(a) Pensions — defined contribution plans

The Group maintains one defined contribution pension scheme for its employees in Hong Kong under the Mandatory Provident Fund ("MPF"). The assets of this scheme are held separately from those of the Group under independently administered funds.

Under the MPF Scheme, each of the Group and its employees make monthly contributions to the scheme at 5% of the employee's relevant income, as defined in the Hong Kong Mandatory Provident Fund Scheme Ordinance. Both the Group's and the employee's contributions are subject to a cap of HK\$1,500 per month. The contributions are fully and immediately vested for the employees.

During the year ended 31 December 2016, the aggregate amounts of the Group's contributions to the aforementioned pension scheme was HK\$435,980 (2015: HK\$305,402).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2015: two) directors for the years ended 31 December 2016, whose emoluments are reflected in the analysis shown in Note 32. The emoluments payable to the remaining three (2015: three) individuals during the year ended 31 December 2016 are as follows:

	2016 HK\$	2015 HK\$
Basic salaries and bonuses	2,769,584	1,368,564
Pension costs — defined contribution plan	52,984	70,000
Total	2,822,568	1,438,564

The emoluments fell within the following band:

	2016 Number of individuals	2015 Number of individuals
Nil to HK\$1,000,000	2	3
HK\$1,000,001–HK\$1,500,000	1	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AL Group

10 Finance Income

	2016 HK\$	2015 HK\$
Interest income on bank deposits	179,356	96,514

11 Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rate of taxation prevailing in the countries in which the Group operations.

	2016 HK\$	2015 HK\$
Current income tax		
— Current income tax on (loss)/profit for the year	1,121,086	2,975,102
— Under-provision for prior years	54,234	—
Deferred income tax (Note 24)	119,828	—
	1,295,148	2,975,102

The income tax expense can be reconciled to the (loss)/profit before income tax set out in the consolidated statement of comprehensive income as follows:

	2016 HK\$	2015 HK\$
(Loss)/profit before income tax	(6,533,989)	18,268,866
Tax calculated at domestic tax rates applicable profits in the respective countries	845,254	3,014,363
Income not subject to tax	(14,674)	(19,261)
Expenses not deductible for tax purposes	429,913	—
Under-provision of prior years	54,234	—
Tax losses for which no deferred income tax asset was recognised	421	—
Tax deduction	(20,000)	(20,000)
Income tax expense	1,295,148	2,975,102

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12 Dividends

No dividend has been paid or declared by the Company during the period from its incorporation date to 31 December 2016. Dividends during the year end 31 December 2015 represented dividends declared by the companies now comprising the Group to the then equity holders of the companies for the year ended 31 December 2015. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

13 (Loss)/Earnings Per Share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years

	2016 HKD	2015 HKD
(Loss)/profit attributable to owners of the Company	(7,829,137)	15,293,764
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	416,721,311	360,000,000
(Loss)/earnings per share	(0.02)	0.04

The number of ordinary shares for the purpose of calculating basic (loss)/earnings per share has been determined on the assumption that the Reorganisation as described in Note 1.2.

The weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per shares has been determined on the assumption that the Reorganization and Capitalisation Issue as described in Note 1.2(e) had been effective on 1 January 2015.

Diluted (loss)/earnings per share is equal to basic (loss)/earnings per share as there was no dilutive potential shares.

14 Available-for-sale Financial Assets

	2016 HK\$	2015 HK\$
Listed securities:		
Equity securities listed in Hong Kong	1,378,464	1,271,921

Movement of the available-for-sale financial assets is as follows:

	2016 HK\$	2015 HK\$
At 1 January	1,271,921	1,426,188
Additions arising from stock dividend	84,462	76,573
Impairment losses (Note 7)	—	(230,840)
Fair value gain credited to other comprehensive income	22,081	—
At 31 December	1,378,464	1,271,921

The maximum exposure to credit risk at the balance sheet date is the carrying value of available-for-sale financial assets. Available-for-sale financial assets are denominated in HK\$.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15 Property, Plant and Equipment

	Computer equipment HK\$	Leasehold improvements HK\$	Office equipment HK\$	Furniture HK\$	Motor vehicles HK\$	Total HK\$
Year ended 31 December 2015						
Opening net book amount	110,306	36,527	26,274	26,656	—	199,763
Additions	9,040	—	6,088	5,120	—	20,248
Depreciation charge	(63,692)	(10,801)	(14,303)	(14,352)	—	(103,148)
Closing net book amount	55,654	25,726	18,059	17,424	—	116,863
At 31 December 2015						
Cost	1,067,047	263,198	345,564	224,593	—	1,900,402
Accumulated depreciation	(1,011,393)	(237,472)	(327,505)	(207,169)	—	(1,783,539)
Net book amount	55,654	25,726	18,059	17,424	—	116,863

	Computer equipment HK\$	Leasehold improvements HK\$	Office equipment HK\$	Furniture HK\$	Motor vehicles HK\$	Total HK\$
Year ended 31 December 2016						
Opening net book amount	55,654	25,726	18,059	17,424	—	116,863
Additions	432,777	3,040,602	45,563	205,122	783,385	4,507,449
Write-off	—	(201,917)	—	—	—	(201,917)
Depreciation charge	(111,733)	(356,081)	(25,325)	(42,780)	(79,070)	(614,989)
Closing net book amount	376,698	2,508,330	38,297	179,766	704,315	3,807,406
At 31 December 2016						
Cost	1,499,824	2,852,796	391,127	429,715	783,385	5,956,847
Accumulated depreciation	(1,123,126)	(344,466)	(352,830)	(249,949)	(79,070)	(2,149,441)
Net book amount	376,698	2,508,330	38,297	179,766	704,315	3,807,406

Depreciation expenses of HK\$614,989 have been included in the consolidated statement of comprehensive income for the years ended 31 December 2016 (2015: HK\$103,148).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AL Group

16 Subsidiaries

The following is a list of the principal subsidiaries at 31 December 2016:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)
AL Group International Limited	BVI, limited liability company	Investment holding in Hong Kong	1 ordinary share of USD 1 each	100%	—
AL Design and Associates Limited	Hong Kong, limited liability company	Provision of interior design and fit out solutions and overall project management in Hong Kong	15,000 ordinary shares of HK\$5,911,990	—	100%
Legend One Contracting Limited	Hong Kong, limited liability company	Provision of interior design and fit out solutions and overall project management in Hong Kong	10,000 ordinary shares of HK\$1 each	—	100%

17 Financial Instruments by Category

	2016 HK\$	2015 HK\$
Assets as per balance sheet		
Available-for-sale financial assets	1,378,464	1,271,921
Rental deposits	317,200	—
Trade and other receivables excluding prepayments	22,562,242	21,439,851
Amounts due from customers for contract work	9,557,669	1,480,160
Amount due from a related company	—	2,789,826
Amounts due from directors	—	1,085,195
Cash and bank balances	66,046,905	12,695,225
Total	99,862,480	40,762,178
Liabilities as per balance sheet		
Trade and other payables excluding non-financial liabilities	11,518,334	17,140,936
Amount due to a director	—	745,899
Total	11,518,334	17,886,835

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Trade and Other Receivables

	2016 HK\$	2015 HK\$
Trade receivables	22,791,397	21,234,568
Less: Provision for impairment of trade receivables	(394,779)	—
Trade receivables, net	22,396,618	21,234,568
Prepayments, deposits and other receivables	2,652,133	471,656
	25,048,751	21,706,224
Less: non-current portion: rental deposit	(317,200)	—
Current portion	24,731,551	21,706,224

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

The Group does not grant credit term to customers. At 31 December 2016 and 2015, the aging analysis of the trade receivables based on invoice date were as follows:

	2016 HK\$	2015 HK\$
Overdue		
1–30 days	2,983,494	13,630,341
31–60 days	2,944,126	2,894,708
More than 60 days	16,468,998	4,709,519
	22,396,618	21,234,568

As of 31 December 2016, trade receivables of HK\$22,396,618 (2015: HK\$21,234,568) 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 Group 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.

18 Trade and Other Receivables (Continued)

As of 31 December 2016, trade receivables of HK\$394,779 (2015: Nil) were impaired. The amount of the provision was HK\$394,779 as of 31 December 2016 (2015: Nil). The individually impaired receivables mainly relate to design and fit out, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The aging of these receivables is as follows:

	2016 HK\$	2015 HK\$
More than 60 days	394,779	—

Movements on the Group's allowance for impairment of trade receivables are as follows:

	2016 HK\$	2015 HK\$
At 1 January	—	—
Provision for impairment of trade receivables	394,779	—
At 31 December	394,779	—

The creation and release of provision for impaired receivables have been included in 'other expenses' in the statement of comprehensive income (Note 8). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

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.

As of 31 December 2015, deposit of HK\$180,328 represent the rental deposit held by a related company, Legend Enterprise (HK) Limited (Note 30(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 Amounts Due from/(to) Customers for Contract Work

	2016 HK\$	2015 HK\$
Amounts due from customers for contract work		
Contract costs incurred plus attributable profits less foreseeable losses to date	31,793,740	6,949,847
Progress billings received and receivable	(22,236,071)	(5,469,687)
	9,557,669	1,480,160
Amounts due to customers for contract work		
Progress billings received and receivable	1,050,299	1,240,488
Contract costs incurred plus attributable profits less foreseeable losses to date	(514,499)	(720,000)
	535,800	520,488

All gross amounts due from/to customers for contract work are expected to be recovered/settled within one year.

As at 31 December 2016, there is nil balance for retention held by customers for contract work (2015: Nil).

As at 31 December 2016, there is nil amount of advances received from customers for contract work (2015: HK\$317,538).

20 Cash and bank balances

	2016 HK\$	2015 HK\$
Cash on hand	15,000	3,000
Bank balances	15,771,609	12,692,225
Short-term bank deposits (Note a)	260,296	—
Cash and cash equivalents in the consolidated statement of cash flows	16,046,905	12,695,225
Bank deposits with a maturity period of over 3 months (Note b)	50,000,000	—
Cash and bank balances	66,046,905	12,695,225

Note a: The interest rate on the short-term deposit was 0.1% per annum, maturing on 13 February 2017.

Note b: The interest rate was 0.78% per annum, maturing on 3 February 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AL Group

20 Cash and bank balances (Continued)

The Group's cash and bank balances are denominated in the following currencies:

	2016 HK\$	2015 HK\$
HK\$	65,819,978	12,348,990
Renminbi	226,927	346,235
	66,046,905	12,695,225

21 Trade and Other Payables

	2016 HK\$	2015 HK\$
Trade payables	11,518,334	17,140,936
Accrued employee benefit expenses	1,059,642	903,123
Receipts in advance	—	317,538
Accruals and other payables	9,047,149	1,554,860
	21,625,125	19,916,457

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

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

	2016 HK\$	2015 HK\$
Within 1 month	1,630,647	3,422,517
1 to 2 months	1,118,944	1,575,553
2 to 3 months	1,908,917	1,452,507
Over 3 months	6,859,826	10,690,359
	11,518,334	17,140,936

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22 Amount Due from a Related Company

	Maximum outstanding balance during the year ended 31 December		Maximum outstanding balance during the year ended 31 December	
	2016 HK\$	2016 HK\$	2015 HK\$	2015 HK\$
Legend Enterprise (HK) Limited	—	2,789,826	2,789,826	3,338,400

The balance was non-trade in nature, unsecured, non-interest bearing and repayable on demand.

23 Amounts Due from/(to) Directors

Amounts due from directors

	Maximum outstanding balance during the year ended 31 December		Maximum outstanding balance during the year ended 31 December	
	2016 HK\$	2016 HK\$	2015 HK\$	2015 HK\$
Sz Kit	—	—	—	351,101
Yau Chung Ping	—	1,085,195	1,085,195	5,477,195
	—	1,085,195	1,085,195	5,828,296

The balances were non-trade in nature, unsecured, non-interest bearing and repayable on demand.

The balances were denominated in HK\$.

The carrying amounts of amounts due from directors approximate their fair values.

Amount due to a director

	2016 HK\$	2015 HK\$
Sz Kit	—	745,899

The balance was non-trade in nature, unsecured, non-interest bearing and repayable on demand.

The balance was denominated in HK\$.

The carrying amount of amount due to a director approximates its fair value.

24 Deferred Income Tax

The analysis of deferred tax liabilities is as follows:

	2016 HK\$	2015 HK\$
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	—	—
Deferred tax liabilities to be recovered within 12 months	119,828	—
	119,828	—

The gross movement on the deferred income tax account is as follows:

	2016 HK\$	2015 HK\$
At 1 January	—	—
Charge to statement of comprehensive income (Note 11)	119,828	—
At 31 December	119,828	—

The movement in deferred income tax liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated tax depreciation HK\$
At 1 January 2016	—
Charge to statement of comprehensive income (Note 11)	119,828
At 31 December 2016	119,828

As at 31 December 2016, the Group had no significant unprovided deferred tax (2015: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25 Share Capital and Share Premium

Authorised share capital

	Number of Ordinary share	Nominal value of ordinary share HK\$	Share premium HK\$
As at 1 February 2016 (Date of incorporation) (Note a)	38,000,000	380,000	—
Increase in authorised share capital (Note b)	9,962,000,000	99,620,000	—
As at 31 December 2016	10,000,000,000	100,000,000	—

Issued and fully paid

	Number of Ordinary Share	Nominal value of ordinary share HK\$	Share premium HK\$
As at 1 February 2016 (Date of incorporation) (Note a)	1	—	—
Issue of ordinary shares of HK\$0.01 each (Note c)	99	1	—
Issuance of shares pursuant to capitalisation (Note d)	359,999,900	3,599,999	(3,599,999)
Issue of ordinary shares of HK\$0.64 each (Note e)	120,000,000	1,200,000	75,600,000
Listing expenses charged to share premium	—	—	(6,663,024)
As at 31 December 2016	480,000,000	4,800,000	65,336,977

Notes:

- (a) On 1 February 2016, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On the date of its incorporation, one nil-paid Share was allotted and issued to its subscriber, Sharon Pierson, an Independent Third Party, and which was subsequently transferred to Legend Investments, which is ultimately controlled by Mr. Yau and Ms. Sz, on the same date.
- (b) On 15 June 2016, the authorized share capital of our Company was increased from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 shares by creation of an additional 9,962,000,000 shares, ranking *pari passu* in all respects with the then existing shares.

25 Share Capital and Share Premium (Continued)

Issued and fully paid (Continued)

Notes: (Continued)

- (c) On 10 June 2016, pursuant to a sale and purchase agreement dated 10 June 2016 entered into among AL Group International, Mr. Yau, Ms. Sz and our Company, Mr. Yau and Ms. Sz transferred their entire shareholding interest in AL Design to AL Group International (being the nominee of our Company), in consideration of (i) our Company allotting and issuing 49 Shares to Legend Investments credited as fully paid and (ii) our Company crediting the one nil-paid Share previously transferred to Legend Investments as fully paid.

On 15 June 2016, pursuant to a sale and purchase agreement dated 15 June 2016 entered into among AL Group International, Mr. Yau, Ms. Sz and our Company, Mr. Yau and Ms. Sz transferred their entire shareholding interest in Legend One to AL Group International (being the nominee of our Company), in consideration of our Company allotting and issuing 50 Shares to Legend Investments credited as fully paid.

- (d) The Directors were authorised to capitalise approximately HK\$3,599,999 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 359,999,900 Shares for allotment and issue to the Shareholders whose names appear on the register of members of the Company as at the close of business on the business day immediate before the Listing Date in proportion to their then shareholdings in the Company so that the Shares allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares.
- (e) The Company's shares were successfully listed on GEM on 12 July 2016. Upon the completion of the Listing, 120,000,000 ordinary shares of HK\$0.01 each were issued at a price of HK\$0.64 per share for a total consideration of HK\$76,800,000.

26 Other Reserve

Other reserve of HK\$5,921,989 represented the difference between the combined capital of group subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange thereof, please refer to note 1.2. As at 31 December 2015, it represented the combined share capital of operating entities within the Group after elimination of intercompany investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27 Cash Generated from Operations

Reconciliation of loss for the year to net cash generated from operations:

	2016 HK\$	2015 HK\$
(Loss)/profit before income tax	(6,533,989)	18,268,866
Adjustments for:		
Depreciation of property, plant and equipment (Note 15)	614,989	103,148
Write-off of property, plant and equipment (Note 8)	201,917	—
Dividend income on available-for-sale financial assets (Note 6)	(84,462)	(76,573)
Finance income (Note 10)	(179,356)	(96,514)
Provision for impairment of trade receivables (Note 18)	394,779	—
Impairment losses on available-for-sale financial assets (Note 7)	—	230,840
Operating (loss)/profit before working capital changes	(5,586,122)	18,429,767
Increase in trade and other receivables	(3,577,032)	(16,703,235)
(Increase)/decrease in amounts due from customers for contract work	(8,077,509)	1,627,906
Increase in amounts due to customers for contract work	15,312	201,941
Decrease in amount due from a related company	2,789,826	548,574
Increase/(decrease) in trade and other payables	1,708,668	(919,617)
Cash (used in)/generated from operations	(12,726,857)	3,185,336

Non-cash transaction

Dividends declared by a subsidiary of the Company during the year ended 31 December 2015 were settled against the amounts due from directors.

The Directors were authorised to capitalise approximately HK\$3,599,999 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 359,999,900 Shares for allotment and issue to the Shareholders whose names appear on the register of members of the Company as at the close of business on the business day immediate before the Listing Date in proportion to their then shareholdings in the Company so that the Shares allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares.

28 Operating Lease Commitments

The Group leases office under non-cancellable operating lease agreement with lease terms between 1 to 2 years. The future aggregate minimum lease payments under the operating lease agreement are as follows:

	2016 HK\$	2015 HK\$
Not later than 1 year	1,903,200	—
Later than 1 year and no later than 5 years	810,200	—
	2,713,400	—

29 Contingent Liabilities

The Group did not have any significant contingent liabilities as of 31 December 2016 (2015: Nil).

30 Related Parties Transaction

The Group is controlled by Legend Investments International Limited (incorporated in British Virgin Islands), which is the ultimate parent of the Group and owns 75% of the Company's shares. The remaining 25% of the shares are widely held. The ultimate controlling party of the Group is Mr. Yau and Ms. Sz.

The directors of the Group are of the view that the following parties that had transactions or balances with the Group are related parties:

Name	Relationship with the Group
Legend Enterprise (HK) Limited	Controlled by Mr. Yau and Ms. Sz
A Legend International Limited	Controlled by Mr. Yau and Ms. Wu Kar Wai, the executive director ("Ms. Wu")
Mr. Wu	Close family member of Ms. Wu

The following significant transaction was carried out between the Group and its related parties during the year. In the opinion of the directors of the Group, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 Related Parties Transaction (Continued)

(a) Transactions with related parties

(i) Sales of design and fit out services

	2016 HK\$	2015 HK\$
Sales of design and fit out services:		
— An entity controlled by Mr. Yau and Ms. Sz (Note a)	100,000	—
— Close family member of Ms. Wu (Note a)	680,000	—
	780,000	—
Rental expenses:		
Legend Enterprise (HK) Limited (Note (b))	40,195	627,702

Notes:

- (a) Sales of services are negotiated and mutually agreed between the related parties.
- (b) The rental expenses are mutually agreed between the related parties and the rental agreement has been terminated on 27 January 2016.

(ii) Personal pledge of fixed deposits

As at 31 December 2015, Mr. Yau provided personal pledge of fixed deposits amounting to HK\$600,000, and Mr. Yau and Ms. Sz provided counter indemnities in favour of a bank for surety bonds issued by the bank in favour of certain our customers. There is no such arrangement during the year ended 31 December 2016.

(b) Balances with related parties

Balances with related parties as at 31 December 2016 and 2015 were disclosed in Notes 18, 22 and 23.

(c) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services period is shown below:

	2016 HK\$	2015 HK\$
Basic salaries and bonuses	5,637,947	2,350,850
Pension costs — defined contribution plan	175,984	108,000
	5,813,931	2,458,850

31 Balance Sheet and Reserve Movement of the Company

Balance sheet of the Company

Note	2016 HK\$	2015 HK\$
ASSETS		
Non-current assets		
Investment in a subsidiary	20,464,781	—
Current assets		
Prepayments and other receivables	512,207	—
Cash and bank balances	61,659,060	—
	62,171,267	—
Total assets	82,636,048	—
EQUITY		
Equity attributable to owners of the Company		
Share capital	4,800,000	—
Share premium (a)	85,801,749	—
Accumulated losses (a)	(11,628,482)	—
Total equity	78,973,267	—
LIABILITIES		
Current liabilities		
Amounts due to subsidiaries	3,662,781	—
Total liabilities	3,662,781	—
Total equity and total liabilities	82,636,048	—

The Company was incorporated on 1 February 2016 with an authorised share capital of HK\$380,000, divided into 38,000,000 shares of HK\$0.01 each. As at 31 December 2015, the Company had not been incorporated and, accordingly, it had no assets, liabilities or distributable reserves on that date.

The balance sheet of the Company was approved by the Board of Directors on 24 March 2017 and was signed on its behalf.

Yau Chung Ping
Director

Sz Kit
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 Balance Sheet and Reserve Movement of the Company (Continued)

Balance sheet of the Company (Continued)

(a) Reserve movement of the Company

	Share premium HK\$	Accumulated losses HK\$	Total HK\$
At 1 February 2016 (Date of incorporation)	—	—	—
Issuance of shares pursuant to a group Reorganisation (Note i)	20,464,772	—	20,464,772
Issuance of shares pursuant to capitalisation	(3,599,999)	—	(3,599,999)
Share issued under share offer	75,600,000	—	75,600,000
Listing expenses charged to share premium	(6,663,024)	—	(6,663,024)
Loss for the period	—	(11,628,482)	(11,628,482)
At 31 December 2016	85,801,749	(11,628,482)	74,173,267

Note (i):

The investment in subsidiaries were accounted for using the net asset value in June 2016. The difference between the net asset value and the nominal value of issued share capital for the acquisition of AL Design & Associates Limited and Legend One Contracting Limited amounting to HK\$20,464,772 was credited as share premium.

32 Benefits and Interests of Directors

(a) Directors' emoluments

The remuneration of the directors for the year ended 31 December 2016 is set out below:

	Employer's contribution to a retirement benefit scheme					Total HK\$
	Fees HK\$	Salaries HK\$	Discretionary bonus HK\$	Housing allowance HK\$	HK\$	
Executive directors						
Mr. Yau Chung Ping (Note 1)	—	1,133,243	—	—	36,000	1,169,243
Ms. Sz Kit (Note 1)	—	819,302	—	—	36,000	855,302
Ms. Wu Kar Wai (Note 2)	—	435,473	—	—	15,259	450,732
Independent non-executive directors						
Mr. Neo Sei Lin, Christopher (Note 3)	141,397	—	—	—	—	141,397
Mr. Lau Chun Wah, Davy (Note 4)	130,521	—	—	—	—	130,521
Ms. Lee Hau Yan, Hannah (Note 4)	141,397	—	—	—	—	141,397
	413,315	2,388,018	—	—	87,259	2,888,592

32 Benefits and Interests of Directors (Continued)

(a) Directors' emoluments (Continued)

The remuneration of the directors for the year ended 31 December 2015 is set out below:

	Fees HK\$	Salaries HK\$	Discretionary bonus HK\$	Housing allowance HK\$	Employer's contribution to a retirement benefit scheme HK\$	Total HK\$
Executive directors						
Mr. Yau Chung Ping	—	743,500	272,000	—	36,000	1,051,500
Ms. Sz Kit	—	628,000	232,000	—	36,000	896,000
	—	1,371,500	504,000	—	72,000	1,947,500

Note 1: Mr. Yau Chung Ping and Ms. Sz Kit were appointed as executive directors of the Company on 25 February 2016.

Note 2: Mr. Wu Kar Wai was appointed as an executive director of the Company on 25 February 2016 and resigned on 10 March 2017.

Note 3: Mr. Neo Sei Lin, Christopher was appointed as an independent non-executive director of the Company on 15 June 2016 and resigned on 12 January 2017.

Note 4: Mr. Lau Chun Wah, Davy and Ms. Lee Hau Yan, Hannah were appointed as independent non-executive directors of the Company on 15 June 2016.

The appointment of above executive directors and independent non-executive directors with an effective date equivalent to the date of listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. During the year ended 31 December 2015, the independent non-executive directors had not yet been appointed and did not receive any remuneration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32 Benefits and Interests of Directors (Continued)

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the financial year (2015: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2016, the Company does not pay consideration to any third parties for making available directors' services (2015: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and controlled entities with such directors

As at 31 December 2016, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors (2015: Nil)

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the financial year (2015: Nil).

THREE YEARS FINANCIAL SUMMARY

AL Group

Results

	Year ended 31 December 2016 HK\$'000	Year ended 31 December 2015 HK\$'000	Year ended 31 December 2014 HK\$'000
Revenue	87,588	84,512	51,158
(Loss)/Profit before income tax	(6,534)	18,269	7,069
Income tax expenses	(1,295)	(2,975)	(1,162)
(Loss)/Profit attributable to the owners of the Company for the year	(7,829)	15,294	5,907
Total comprehensive income attributable to the owners of the Company for the year	(7,807)	15,294	5,907

Assets and Liabilities

	Year ended 31 December 2016 HK\$'000	Year ended 31 December 2015 HK\$'000	Year ended 31 December 2014 HK\$'000
Total assets	108,076	41,145	29,143
Total liabilities	22,281	23,592	21,384
Net assets	85,795	17,553	7,759
Equity attributable to owners of the Company for the year	85,795	17,553	7,759

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