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AL Group

AL GROUP LIMITED 利駿集團(香港)有限公司

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

Stock Code 股份代號：8360

Third Quarterly Report **2017**
第三季度報告

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.

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

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

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MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

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

Excluding projects relating to maintenance and aftersales service, during the nine months ended 30 September 2017, the total revenue increased by approximately 19.6%, and the average revenue per project increased by approximately 15.0% over 2016 to approximately HK\$2.3 million, while the number of projects for the nine months ended 30 September 2017 increased by approximately 5.9% over the same period in 2016.

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 nine months ended 30 September 2017 respectively and their comparative figures:

In terms of Number of Projects*

	For the nine months ended		
	30 September		Change
	2017	2016	
Design and fit out/Design only			
Office	29	27	7.4%
Commercial	1	2	(50.0%)
Residential	6	5	20.0%
Total	36	34	5.9%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In terms of Revenue*

In HK\$' million	For the nine months ended		
	30 September 2017	2016	Change
Design and fit out/Design only			
Office	65.9	53.5	23.2%
Commercial	4.6	7.5	(38.7%)
Residential	10.6	6.8	55.9%
Total	81.1	67.8	19.6%

Average Revenue per Project*

In HK\$' million	For the nine months ended		
	30 September 2017	2016	Change
Revenue	81.1	67.8	19.6%
Number of projects	36	34	5.9%
Average revenue per project	2.3	2.0	15.0%

* excluding those relating to maintenance and aftersales service

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 2016 or before which will come online and contribute to the total revenue in the later time of 2017 and beyond. As at the date of this report, our Group has secured project contracts with total contract sum of over HK\$26.0 million, for some of which work will commence in the last quarter of 2017.

Looking forward, the Group will strengthen its corporate management and implement cost control strategy. The Group will actively seek for potential acquisition opportunities and explore into possibilities to expand its business into different markets in order to sustain the growth and create more values to the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Financial Overview

In HK\$' million	For the nine months ended		
	30 September 2017	2016	Change
Revenue	82.0	69.6	17.8%
Gross Profit ^(Note 1)	22.9	22.2	3.2%
Gross Profit Margin	27.9%	31.9%	(12.5%)
EBITDA ^(Note 2) before listing expenses (2017: nil)	5.1	10.0	(49.0%)
Net Profit before listing expenses	3.3	8.0	(58.8%)
Net Profit/(Loss) after listing expenses	3.3	(5.2)	N/A

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 nine months ended 30 September 2017, the Group's revenue experienced double-digit growth when compared to the same period in 2016. The Group's revenue amounted to approximately HK\$82.0 million, representing an increase of approximately 17.8% from the same period in 2016. Such growth was in line with the increase in number of on-going and completed projects during the nine months ended 30 September 2017 when compared to the same period in 2016.

The Group's gross profit for the nine months ended 30 September 2017 amounted to approximately HK\$22.9 million, representing a slight increase of approximately 3.2% over the same period in 2016. Gross profit margin decreased from approximately 31.9% to approximately 27.9%, which was mainly due to three relatively larger projects (with contract sum over HK\$10 million) commenced during the nine months ended 30 September 2017, while the projects had incurred more costs than anticipated and resulted in a lower profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's total operating expenses^(Note 3) for the nine months ended 30 September 2017 were approximately HK\$19.0 million when compared to approximately HK\$12.5 million for the same period in 2016 (excluding one-time listing expenses of approximately HK\$13.2 million). The increase in total operating expenses was mainly due to that upon the successful listing of the Group in July 2016, the Group's staff costs have increased due to expansion of work force and fees paid to professional parties have also increased due to compliance and advisory services required for a publicly-traded company.

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 nine months ended 30 September 2017, the Group's EBITDA (before listing expenses) amounted to approximately HK\$5.1 million as compared to approximately HK\$10.0 million for the same period in 2016. The Group's net profit (before listing expenses) decreased to approximately HK\$3.3 million for the nine months ended 30 September 2017 when compared to approximately HK\$8.0 million for the same period in 2016, which was mainly attributable to the fact that the increase in total operating expenses mentioned above.

Liquidity, Financial Resources and Capital Structure

The Group practiced prudent financial management and maintained a strong and sound financial position during the nine months ended 30 September 2017. As of 30 September 2017, the Group had cash and cash equivalents of approximately HK\$74.3 million (31 December 2016: approximately HK\$66.0 million).

The current ratio, being the ratio of current assets to current liabilities, was approximately 4.1 times as at 30 September 2017 (31 December 2016: 4.6 times). As at 30 September 2017, the Group did not have any outstanding borrowing (hence no gearing ratio of the Group was presented), other indebtedness, pledge of assets and did not have any utilized or unutilized bank facilities (31 December 2016: Nil). There was no finance cost incurred during the nine months ended 30 September 2017.

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 and cash flows generated from operations.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 September 2017 (31 December 2016: Nil).

Interim Dividend

The board of the Directors of the Company (the “Board”) does not declare any interim dividend for the nine months ended 30 September 2017 (2016: 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 nine months ended 30 September 2017.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
Revenue	4	37,087,228	34,510,848	82,048,366	69,634,571
Other income	5	39,138	17,620	176,474	51,040
Other gains/(losses), net	6	—	210,166	(2,430)	(87,526)
Subcontracting and materials costs		(27,283,247)	(19,501,791)	(59,144,778)	(47,396,975)
Employee benefit expenses		(4,128,779)	(3,101,010)	(11,711,292)	(7,989,010)
Rental expenses		(509,500)	(347,762)	(1,488,846)	(942,084)
Listing expenses		—	—	—	(13,207,777)
Other expenses		(1,980,395)	(1,588,488)	(5,808,571)	(3,531,597)
Operating profit/(loss)		3,224,445	10,199,583	4,068,923	(3,469,358)
Finance income		36,216	1,066	243,521	3,914
Profit/(Loss) before income tax		3,260,661	10,200,649	4,312,444	(3,465,444)
Income tax expense	7	(651,867)	(1,732,142)	(1,044,217)	(1,732,142)
Profit/(Loss) for the period attributable to owners of the Company		2,608,794	8,468,507	3,268,227	(5,197,586)
Other comprehensive income					
Items that may be reclassified to profit or loss: Fair value gains on available-for-sale financial assets		72,743	—	308,536	—
Other comprehensive income for the period, net of tax		72,743	—	308,536	—
Total comprehensive income/(loss) for the period attributable to owners of the Company		2,681,537	8,468,507	3,576,763	(5,197,586)
Basic and diluted earnings/(loss) per share attributable to owners of the Company (expressed in Hong Kong cents per share)	8	0.54	1.82	0.68	(1.32)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital HK\$ (Unaudited)	Share premium HK\$ (Unaudited)	Other reserve HK\$ (Unaudited)	Available-for- sale financial assets revaluation reserve HK\$ (Unaudited)	Retained earnings HK\$ (Unaudited)	Total HK\$ (Unaudited)
As at 1 January 2016	—	—	10,000	—	17,543,137	17,553,137
Comprehensive loss	—	—	—	—	(5,197,586)	(5,197,586)
Transaction with owners in their capacity as owners						
Issuance of shares pursuant to a group Reorganisation						
	1	—	5,911,989	—	—	5,911,990
Issuance of shares upon capitalisation						
	3,599,999	(3,599,999)	—	—	—	—
Share issued under share offer						
	1,200,000	75,600,000	—	—	—	76,800,000
Listing expenses charged to share premium						
	—	(6,663,024)	—	—	—	(6,663,024)
As at 30 September 2016	4,800,000	65,336,977	5,921,989	—	12,345,551	88,404,517
As at 1 January 2017	4,800,000	65,336,977	5,921,989	22,081	9,714,000	85,795,047
Comprehensive income						
Profit for the period						
	—	—	—	—	3,268,227	3,268,227
Other comprehensive income						
Fair value gains on available-for-sale financial assets						
	—	—	—	308,536	—	308,536
Total other comprehensive income, net of tax						
	—	—	—	308,536	—	308,536
As at 30 September 2017	4,800,000	65,336,977	5,921,989	330,617	12,982,227	89,371,810

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. General Information

AL Group Limited (the “Company”) was incorporated in the Cayman Islands on 1 February 2016 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, 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 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 share offer on 12 July 2016.

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

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”) immediate 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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 have 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 CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3. Basis of Preparation and Presentation

This condensed consolidated financial information for the nine months ended 30 September 2017 has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS(s)”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules. The condensed consolidated financial information does not include all information and disclosures as required in the annual financial statements and should be read in conjunction with the Company’s combined financial statements for the year ended 31 December 2016, which have been prepared in accordance with HKFRSs issued by the HKICPA.

The companies now comprising the Group, were under the common control of Mr. Yau and Ms. Sz (the “Controlling Shareholders”), immediately before and after the Reorganisation. For the purpose of this report, the financial results for the nine months ended 30 September 2016 has been prepared on a combined basis.

The financial results for the nine months ended 30 September 2017 has been prepared by including the financial information of the companies, under common control of the Controlling Shareholders immediately before and after the Reorganisation and now comprising the Group as if the current group structure had been in existence throughout the periods presented, or since the date when the combining companies first came under the control of the Controlling Shareholders, whichever is the shorter period.

The net assets of the combining companies were combined using the existing book values from the Controlling Shareholders’ perspective. No amount is recognised in consideration for goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party’s interest.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

4. Revenue

The Group's revenue from its major services during the period is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
Design	286,000	3,500,000	3,230,000	3,500,000
Design and fit out	36,633,709	30,000,310	77,820,760	64,356,830
Maintenance and aftersales services	167,519	1,010,538	997,606	1,777,741
	37,087,228	34,510,848	82,048,366	69,634,571

5. Other Income

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
Dividend income on available-for-sale financial assets	19,283	17,620	74,917	51,040
Sundry income	19,855	—	101,557	—
	39,138	17,620	176,474	51,040

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

6. Other Gains/(Losses), Net

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
Foreign exchange losses	—	(770)	(2,430)	(13,750)
Reversal of/(Impairment losses) on available-for-sale financial assets	—	210,936	—	(73,776)
	—	210,166	(2,430)	(87,526)

7. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the period. The Group is not subject to taxation in the Cayman Islands or the British Virgin Islands.

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
Current income tax	710,797	1,732,142	1,136,909	1,732,142
Deferred income tax	(58,930)	—	(92,692)	—
	651,867	1,732,142	1,044,217	1,732,142

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

8. Earnings/(Loss) Per Share

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$	2016 HK\$	2017 HK\$	2016 HK\$
Profit/(loss) attributable to owners of the Company	2,608,794	8,468,507	3,268,227	(5,197,586)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share (in thousands)	480,000	465,652	480,000	395,035
Earnings/(loss) per share (expressed in HK cents per share)	0.54	1.82	0.68	(1.32)

The weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per shares has been determined on the assumption that the Reorganization and Capitalisation Issue as described in Note 2 had been effective on 1 January 2016.

For the nine months ended 30 September 2017 and 2016, diluted earnings/(loss) per share were equal to basic earnings/(loss) per share as there was no potential dilutive ordinary shares issued.

Share Option Scheme

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

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

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

As at 30 September 2017, there was no option outstanding, granted, cancelled, exercised or lapsed.

SUPPLEMENTARY INFORMATION (CONTINUED)

Directors and Chief Executive's Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Specified Undertaking of the Company or any Other Associated Corporation

As at 30 September 2017, the interests and short positions of directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

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

(i) Interests in the Company

Interests in ordinary shares

Name of director	Personal interests	Family interests	Corporate interests	Total		Aggregate interests	Approximate % of the Company's issued voting shares
				Total interests in ordinary shares	interests in underlying shares		
Mr. Yau Chung Ping ^{Note}	—	—	201,604,000	201,604,000	—	201,604,000	42%

Note: The 201,604,000 shares are beneficially held by Legend Investments International Limited, which is legally and beneficially owned as to 80% by Mr. Yau Chung Ping. Accordingly, Mr. Yau Chung Ping is deemed to be interested in 201,604,000 shares held by Legend Investments International Limited by virtue of the SFO. Mr. Yau Chung Ping is currently a director of Legend Investments International Limited.

Subsequent to 30 September 2017 and on 9 October 2017, Legend Investments International Limited disposed 57,600,000 shares. Upon the aforesaid disposal, Legend Investments International Limited held 144,004,000 shares, representing approximately 30.0% of the total issued share capital of the Company as at the date of this report. Mr. Yau is deemed or taken to be interested in all shares of the Company beneficially owned by Legend Investments for the purpose of the SFO.

SUPPLEMENTARY INFORMATION (CONTINUED)

(ii) Interests in the associated corporation

Name of director	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%

Save as disclosed above, as at 30 September 2017, none of the directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the standards of dealing by directors as referred to in Rule 5.48 to 5.67 of the GEM Listing Rules.

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

As at 30 September 2017, 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 shareholder	Capacity	Number of shares held	Approximate % of the Company's issued voting shares
Legend Investments International Limited ^(Note)	Beneficial owner	201,604,000	42%

Note: Subsequent to 30 September 2017 and on 9 October 2017, Legend Investments International Limited disposed 57,600,000 shares. Upon the aforesaid disposal, Legend Investments International Limited held 144,004,000 shares, representing approximately 30.0% of the total issued share capital of the Company as at the date of this report. Mr. Yau is deemed or taken to be interested in all shares of the Company beneficially owned by Legend Investments for the purpose of the SFO.

Save as disclosed above, as at 30 September 2017, the Company had not been notified by any persons (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Rights to Acquire Shares or Debentures

Other than the Share Option Scheme and as disclosed under the sections “Directors and Chief Executive’s Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Specified Undertaking of the Company or any Other Associated Corporation” above, at no time during the nine months ended 30 September 2017 was the Company or any of its subsidiaries, or any of its fellow subsidiaries or any associated corporations, a party to any arrangement to enable the directors or chief executive of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Interests in Competing Businesses and Conflict of Interests

Each of the controlling shareholders (as defined under the GEM Listing Rules) of the Company entered into a deed of non-competition dated 15 June 2016 in favour of the Company, mainly to the effect that at any time the controlling shareholders are interested, directly or indirectly, in 30% or more of the issued shares of the Company, the controlling shareholders shall not, and shall procure their close associates not to 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 with any business currently and from time to time engaged by our Group in Hong Kong and any other country or jurisdiction to which our Group carries on our business from time to time.

During the nine months ended 30 September 2017, none of the Directors, the controlling shareholders of our Company or their respective close associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of our Group and any other conflict of interest with our Group, save for the followings:

Mr. Wong Kang Man, a non-executive Director of the Company who has been re-designated as an executive Director on 6 November 2017, is a director of a company principally engaged in same interior design business in Hong Kong, in which 60% interest of the company was acquired by our Group on 6 November 2017 and as a result, the company is a non wholly-owned subsidiary of the Group. Despite of such company being engaged in the same interior design business in Hong Kong, the Group has been operating independently of the business of such company, no competition is considered to exist during the nine months ended 30 September 2017.

Code on Corporate Governance Practices

During the nine months ended 30 September 2017, the Board considers that the Company has complied with all the corporate governance codes (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules.

Compliance of Code of Conduct for Directors’ Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by our Company during the nine months ended 30 September 2017.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the nine months ended 30 September 2017.

Interests of the Compliance Adviser

As notified by VBG Capital Limited, the compliance adviser of our 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 our Group (including options or rights to subscribe for such securities, if any) which is required to be notified to our Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 September 2017.

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 audit committee comprises three independent non-executive Directors, namely, Ms. Lee Hau Yan, Hannah (Chairlady), Mr. Tse Chi Shing and Mr. Kloeden Daniel Dieter. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the internal control procedures of our Company.

SUPPLEMENTARY INFORMATION (CONTINUED)

The audit committee has reviewed the accounting principles and practices adopted by the Group and has discussed with the management regarding the auditing and financial reporting matters. The audit committee has discussed and reviewed the unaudited financial information and the third quarterly report for the nine months ended 30 September 2017.

As at the date of this report, the executive Directors are Mr. Yau Chung Ping, Mr. Lam Chung Ho, Alastair and Mr. Wong Kang Man; and the independent non-executive Directors are Ms. Lee Hau Yan, Hannah, Mr. Tse Chi Shing and Mr. Kloeden Daniel Dieter.



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