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AL Group Limited

利駿集團（香港）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8360)

**MAJOR TRANSACTION IN RELATION TO
THE ACQUISITION OF 49% OF THE ENTIRE ISSUED SHARE
CAPITAL OF
PRIMO GROUP (BVI) LIMITED
INVOLVING THE ISSUE OF THE CONSIDERATION SHARES AND
THE ISSUE OF THE PROMISSORY NOTE
AND
COOPERATION AGREEMENT**

THE ACQUISITION AGREEMENT

The Board is pleased to announce that on 15 December 2017 (after trading hours), the Purchaser (being a wholly-owned subsidiary of the Company) entered into the Acquisition Agreement with the Vendor in relation to the Acquisition of the Sale Shares, which represent 49% of the entire issued share capital of the Target Company, at the Consideration of HK\$75,000,000. The Consideration will be satisfied by the allotment and issue of the Consideration Shares and issue of the Promissory Note by the Company to the Vendor upon Completion.

As the relevant percentage ratios exceed 25% but are below 100%, the Acquisition constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

A circular containing, among other matters, further details of the Acquisition, will be despatched to the Shareholders. As it is expected that additional time will be required to prepare the relevant information to be included in the circular, the Company will apply to the Stock Exchange for an extension of time for despatch of the circular by no later than 31 January 2018.

THE COOPERATION AGREEMENT

The Board is pleased to announce that on 15 December 2017 (after trading hours), the Company and the Target Company entered into the Cooperation Agreement, pursuant to which (a) the Company (or any of its subsidiaries) may (i) subcontract any part of its design and/or design and fit-out project(s) to the Target Company (or any of its subsidiaries); and (ii) refer to the Target Company (or any of its subsidiaries) project(s) which the Company (or any of its subsidiaries) decides not to take up for whatever reason; and (b) the Target Company (or any of its subsidiaries) (i) may subcontract any part of its design project(s) to the Company (or any of its subsidiaries); and (ii) shall first refer to the Company (or any of its subsidiaries) project(s) which the Target Company (or any of its subsidiaries) decides not to take up for whatever reason.

THE ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are summarised as follows:

Date:

15 December 2017 (after trading hours)

Parties:

- (i) Purchaser: Sunny Stage Limited, a wholly-owned subsidiary of the Company
- (ii) Vendor: Climb Up Limited

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

Subject matter

Pursuant to the Acquisition Agreement, the Vendor agreed to sell the Sale Shares, representing 49% of the entire issued share capital of the Target Company.

Consideration

The Consideration for the Sale Shares is HK\$75,000,000, which will be satisfied by the allotment and issue of the Consideration Shares and issue of the Promissory Note by the Company on Completion in the following manner:

- (i) HK\$17,595,000 shall be settled by the Company issuing to the Vendor (or its nominee(s)) the Consideration Shares at the Issue Price; and
- (ii) HK\$57,405,000 shall be settled by the Company issuing the Promissory Note to the Vendor (or its nominee(s)) on Completion.

The Consideration was determined after arm's length negotiations between the Company and the Vendor and was determined with reference to the preliminary valuation of the entire equity interest in Primocasa at HK\$220,420,000 as at 30 September 2017 prepared by an independent valuer, based on the market value basis. The Consideration was also determined with reference to the financial position of the Target Group and the prospect of the Group, together with the "Reasons for and benefits of entering into the Acquisition Agreement and the Cooperation Agreement".

The Consideration Shares

The Consideration Shares represent (i) approximately 23.96% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 19.33% of the share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no other change to the share capital of the Company from the date of this announcement and up to Completion).

The Issue Price of the Consideration Shares of HK\$0.153 per Consideration Share represents:

- (a) a discount of approximately 19.47% to the closing price of HK\$0.190 per Share as quoted on the Stock Exchange on the date of this announcement;
- (b) a discount of approximately 17.74% to the average closing price of HK\$0.186 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of this announcement.

The Issue Price of the Consideration Shares was arrived at after arm's length negotiations determined between the Company and the Vendor with reference to the current market price of the Shares.

The Specific Mandate

The Consideration Shares will be allotted and issued pursuant to the Specific Mandate to be sought at the EGM.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when issued on Completion, will rank *pari passu* in all respects with the existing Shares in issue.

The Promissory Note

The principal terms of the Promissory Note are as follows:

Issuer: The Company

Principal amount: HK\$57,405,000

Maturity: The second anniversary date of the date of issue of the Promissory Note (the “**Initial Maturity Date**”); which may be extended to the fourth anniversary date of the date of issue of the Promissory Note (the “**Extended Maturity Date**”) by serving 30 days prior written notice on the holder of the Promissory Note

Interest: 3% per annum on the outstanding principal amount of the Promissory Note, payable on the Maturity Date; and if the Initial Maturity Date is extended, 8% per annum on the outstanding principal amount of the Promissory Note, for the period from the date following the Initial Maturity Date to the Extended Maturity Date, payable on the Extended Maturity Date

Early redemption: At the sole discretion of the Company, the Promissory Note may at any time prior to the Initial Maturity Date, or if the Initial Maturity Date is extended, the Extended Maturity Date, be redeemed by the Company in full or in part with interest on the redeemed amount accrued up to the date of redemption calculated pro rata on a 365-day basis at 3% per annum for the period from the date of issue of the Promissory Note to the Initial Maturity Date and 8% per annum for the period from the date following the Initial Maturity Date to the Extended Maturity Date, by serving 3 days prior written notice on the holder of the Promissory Note

- Transferability: Subject to the prior written consent of the Company, the Promissory Note is freely transferable to a third party independent of and not connected with the Company and its connected person
- Status of the Promissory Note: The Promissory Note will constitute direct, unconditional, unsubordinated and unsecured contractual obligations of the Company which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company
- Listing: No application will be made for the listing of, or permission to deal in, the Promissory Note on the Stock Exchange or any other stock exchange

Conditions Precedent

Completion is conditional upon the fulfillment or waiver (as the case may be) of certain conditions which include, *inter alia*:

- (a) due diligence on the Target Group, including without limitation, its state of affairs, assets and liabilities, financial position and business operation having been completed to the full satisfaction of the Purchaser;
- (b) the Shareholders having approved the Acquisition Agreement, the issue of the Consideration Shares and the transactions contemplated under the Acquisition Agreement as required by the GEM Listing Rules;
- (c) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject to the conditions to which neither the Company nor the Vendor shall reasonably object) listing of and permission to deal in the Consideration Shares;
- (d) all necessary governmental and other consents and approvals required to be obtained on the part of the Vendor, the Target Group and the Purchaser in respect of the Acquisition Agreement and the Acquisition having been obtained; and
- (e) the warranties and representations made by the Vendor remaining true and accurate and not misleading in material respect on the date of Completion.

The Purchaser may waive any or all conditions precedent, save and except conditions (b) and (c) above. If the conditions precedent are not fulfilled or waived on or before 31 December 2018 (or such other date as the parties may agree in writing), the Acquisition Agreement shall be of no effect, subject to the liability of any party to the other in respect of the antecedent breaches of the terms pursuant to the Acquisition Agreement.

Completion

Completion of the Acquisition Agreement will take place during business hours on Completion Date after the fulfillment (or waiver, as the case may be) of all the conditions precedent as stated in the paragraph headed “Conditions Precedent” above.

EFFECT OF THE ISSUE OF THE CONSIDERATION SHARES ON SHAREHOLDING STRUCTURE

The existing and enlarged shareholding structure of the Company immediately before and after the allotment and issue of the Consideration Shares is set out below:

Shareholders	As at the date of this announcement		After allotment and issue of the Consideration Shares (Note 1)	
	Number of Shares	%	Number of Shares	%
Legend Investments International Limited (Note 2)	144,004,000	30.00	144,004,000	24.20
The Vendor	—	—	115,000,000	19.33
Public Shareholders	<u>335,996,000</u>	<u>70.00</u>	<u>335,996,000</u>	<u>56.47</u>
Total	<u>480,000,000</u>	<u>100.00</u>	<u>595,000,000</u>	<u>100.00</u>

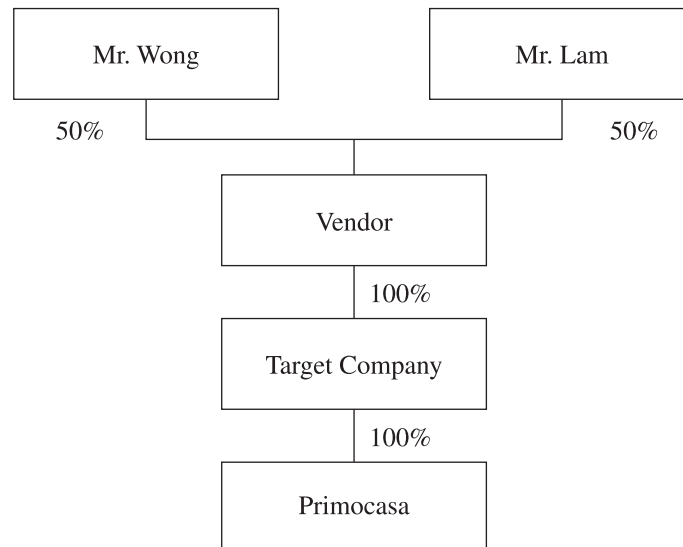
Notes:

1. On the assumption that there are no other changes in the issued share capital of the Company.
2. Legend Investments International Limited is legally and beneficially owned as to 80% by Mr. Yau Chung Ping.

INFORMATION ON THE TARGET GROUP

The Target Group consists of the Target Company and Primocasa.

The following chart shows the shareholding structure of the Target Group as at the date of this announcement:



The Target Company is an investment holding company incorporated in the British Virgin Islands with limited liability on 17 May 2017. The Target Company has not commenced any operation since its incorporation and therefore no turnover had been recorded. The administration expenses incurred for its incorporation was HK\$7,960.

Primocasa is a company incorporated in Hong Kong with limited liability on 22 April 2009. Primocasa is principally engaged in the provision of interior design and fit-out solutions in Hong Kong. Primocasa has its own in-house designers to perform 3D drawings and an in-house carpentry team to conduct woodworks.

Upon Completion, the Target Group will become associated companies of the Company, and their financial results will not be consolidated into the accounts of the Group. The remaining 51% of the entire issued share capital of the Target Company will be held by the Vendor.

Set out below is the summary of the key financial information of Primocasa:

	For the year ended 31 March	
	2016	2017
	(Restated)	
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Turnover	38,358	49,169
Profit before taxation	8,626	15,420
Profit after taxation	7,316	12,817

GEM LISTING RULES IMPLICATIONS

As the relevant percentage ratios exceed 25% but are below 100%, the Acquisition constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and the Acquisition is subject to the approval of the Shareholders. To the best belief, information and knowledge of the Directors, after making reasonable enquiries, no Shareholder has a material interest in the Acquisition and no Shareholder is required to abstain from voting at the EGM.

An EGM will be convened and held for the Shareholders to, among other things, consider and, if thought fit, to approve the Acquisition Agreement and the transactions contemplated thereunder.

The terms of the Acquisition Agreement were arrived at after arm's length negotiations between the Company and the Vendor. The Board considers the terms of the Acquisition Agreement are on normal commercial terms and fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

A circular containing, among other things, (i) major terms of the Acquisition Agreement; (ii) further details of the Acquisition; (iii) the financial information of the Target Group; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders. As it is expected that additional time will be required to prepare the relevant information to be included in the circular, the Company will apply to the Stock Exchange for an extension of time for despatch of the circular by no later than 31 January 2018.

THE COOPERATION AGREEMENT

The principal terms of the Cooperation Agreement are summarised as follows:

Date:

15 December 2017 (after trading hours)

Parties:

- (i) The Company
- (ii) The Target Company

Term

The Cooperation Agreement shall be for an initial term of two years commencing from the date of execution of the Cooperation Agreement and shall continue thereafter unless and until terminated by either the Company or the Target Company giving to the other not less than three months' written notice to determine the same.

The parties may, at any time during the contract term, give the other party three months' prior written notice to terminate the Cooperation Agreement.

Subject matter

(i) *Subcontracting*

The Company (or any of its subsidiaries) may subcontract any part of its design and/or design and fit-out project(s) to the Target Company (or any of its subsidiaries).

The Target Company (or any of its subsidiaries) may subcontract any part of its design project(s) to the Company (or any of its subsidiaries).

The parties shall enter into a separate subcontracting agreement in respect of each subcontracting arrangement to set out the subcontracting details which include but not limited to the scope of work, subcontracting fees and payment terms.

(ii) *Referral*

If the Company (or any of its subsidiaries) decides not to take up any potential design and/or design and fit-out project(s) for whatever reason, the Company (or any of its subsidiaries) may refer such project to the Target Company (or any of its subsidiaries). The Target Company (or any of its subsidiaries) shall enter into separate agreement(s) directly with the third party client requiring the services.

If the Target Company (or any of its subsidiaries) decides not to take up any potential design project(s) for whatever reason, the Target Company (or any of its subsidiaries) shall first refer such project to the Company (or any of its subsidiaries). If the Company (or any of its subsidiaries) also decides not to take up such project, the Target Company (or any of its subsidiaries) may refer such project to other third parties.

The Company (or any of its subsidiaries) shall enter into separate agreement(s) directly with the third party client requiring the services.

Fees and payment terms

(i) *Subcontracting*

The subcontracting fees in respect of each subcontracting arrangement shall be determined based on the prevailing market price and on normal commercial terms after arm's length negotiations. The payment terms shall be based on the individual subcontracting agreements.

(ii) Referral

The referral fee shall be determined by the parties after arm's length negotiations on normal commercial terms. The referral fee shall be paid to the referrer within seven business days after the referee receives the project fee from the third party client. Should the project fee be paid by the third party client by installment, the referee shall pay the referral fee to the referrer on a pro rata basis within seven working days after it receives each installment.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ACQUISITION AGREEMENT AND THE COOPERATION AGREEMENT

The Group is principally engaged in the provision of interior design and fit-out solutions and has been focusing on the office segment in Hong Kong.

The Target Group is also principally engaged in the provision of interior design and fit-out solutions. The Target Group has its own in-house designers to perform 3D drawings and an in-house carpentry team to conduct woodworks. The Target Group has been focusing on luxury residential, office and commercial segments in Hong Kong. As at the date of this announcement, the Target Group was awarded “The Best Home & Living Brand — The Best Interior Design Award” by GoHome.com.hk in 2012 and “2017 Most Valuable Services Awards in Hong Kong” by Mediazone Ltd. in 2017, and had been awarded “International Property Awards” by International Property Media Ltd. from 2012 to 2017 and “Successful Design Award” by stylebyasia.com/JMI Associates Limited from 2013 to 2017.

The Group and the Target Group are in the same industry but with different focus. The Group focuses on office segment while the Target Group focuses on luxury residential, office and commercial segments. The Acquisition serves as a diversification of revenue source which enables the Group to capture the growth in different property sector in Hong Kong and have a stable return derived from design and fit-out services for different types of property. Also, the services provided by the Target Group can complement the services provided by the Group. The Group carries out design works but subcontracts, *inter alia*, 3D drawings and fit-out works to third parties whereas the Target Group has its own in-house 3D drawings team and carpentry team to perform woodworks. The Cooperation Agreement enables the Group to secure a subcontractor with reputation in the market. The Group and the Target Group have different clientele which can bring synergy to the Group to gain wider exposure through the referral and subcontract arrangement. Further, the Group can leverage on the expertise of the Target Group through the cooperation arrangement to strengthen the Group's market position in the industry.

The Directors consider that (i) the entering into of the Cooperation Agreement and the transactions contemplated thereunder is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Cooperation Agreement are on normal commercial terms and are fair and reasonable.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“3D drawing(s)”	three-dimensional drawing(s)
“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 15 December 2017 for the proposed acquisition of 49% of the entire issued share capital of the Target Company
“Board”	the board of Directors
“Business Day(s)”	any day (excluding Saturday, Sunday and public holiday in Hong Kong) on which banks in Hong Kong and the PRC are open for business
“Company”	AL Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8360)
“Completion”	the completion of the Acquisition in accordance with the terms of the Acquisition Agreement
“Consideration”	the consideration of HK\$75,000,000 for the Acquisition pursuant to the Acquisition Agreement
“Consideration Shares”	115,000,000 new Shares to be allotted and issued by the Company, credited as fully paid, as part payment of the Consideration
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules

“Cooperation Agreement”	the cooperation agreement dated 15 December 2017 for the cooperation between the Company and the Target Company
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for considering and approving, among others, the Acquisition
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a party independent of and not connected with the Company and its connected person
“Issue Price”	HK\$0.153 per a Consideration Share
“Mr. Lam”	Mr. Lam Leslie (林聲驊)
“Mr. Wong”	Mr. Wong Yu Ki Andy (黃餘奇)
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Primocasa”	Primocasa Interiors Limited, a company incorporated in Hong Kong with limited liability
“Promissory Note”	the promissory note in the aggregate principal amount of HK\$57,405,000 to be issued by the Company in favour of the Vendor to partly satisfy the Consideration
“Purchaser”	Sunny Stage Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company

“Sale Shares”	6,762 ordinary shares of the Target Company held by the Vendor, being 49% of the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of share(s) in issue
“Specific Mandate”	the specific mandate for the allotment and issue of the Consideration Shares to be granted to the Directors by the Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Primo Group (BVI) Limited (百諾集團(BVI)有限公司), a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target Company and Primocasa
“Vendor”	Climb Up Limited, a company incorporated in the British Virgin Islands with limited liability
“%”	per cent

By Order of the Board
AL Group Limited
Lam Chung Ho, Alastair
Chairman of the Board and Executive Director

Hong Kong, 15 December 2017

As at the date of this announcement, 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 Mr. Tse Chi Shing, Mr. Kloeden Daniel Dieter and Mr. Tse Wai Hei.

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