THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in AL Group Limited (the "**Company**"), you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

This circular appears for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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

A notice convening the extraordinary general meeting of the Company (the "**EGM**") to be held at Unit A, 35/F, EGL Tower, 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong on 12 June 2018 at 11:30 a.m. is set out on pages 90 to 92 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish.

This circular will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for 7 days from the date of its posting and on the website of the Company at www.AL-Grp.com. The English version will prevail in case of any inconsistency between the English and Chinese versions of this circular.

25 May 2018

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

In this circular, the following terms and expressions shall have the following meanings unless the context otherwise requires:

"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
"Announcement"	the announcement of the Company dated 15 December 2017 in respect of, among other things, the Acquisition of the Target Company, the issue of the Consideration Shares and the issue of the Promissory Note
"Annual Caps"	the maximum annual transaction amounts under the Cooperation Agreement for the first and second contract years
"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 GEM (stock code: 8360)
"Completion"	the completion of the Acquisition in accordance with the terms of the Acquisition Agreement
"Completion Date"	within 5 Business Days after the conditions precedent having been met (or waived, if applicable) (or such other date the parties may agree)
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"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

"Controlling Shareholders"	has the meaning ascribed to it under the GEM Listing Rules and, in the context of this circular, means the controlling shareholders of the Company, namely Legend Investments, Mr. Yau and Ms. Sz
"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
"Enlarged Group"	the Group as enlarged by the Target Group upon Completion
"GEM"	GEM operated by the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"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
"Last Trading Date"	15 December 2017, being the last trading date of the Shares before the issue of the Announcement
"Latest Practicable Date"	18 May 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
"Legend Investments"	Legend Investments International Limited, a limited liability company incorporated in British Virgin Islands on 27 January 2016 and is owned as to 80% by Mr. Yau and as to 20% by Ms. Sz
"Mr. Lam"	Mr. Lam Leslie (林聲韙)
"Mr. Wong"	Mr. Wong Yu Ki Andy (黃餘奇)

"Mr. Yau"	Mr. Yau Chung Ping, formerly known as Yau Yuk Ping, the executive Director
"Ms. Sz"	Ms. Sz Kit
"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
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"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
"Valuer"	B.I. Appraisals Limited, an independent property valuer

"Vendor"	Climb Up Limited, a company incorporated in the British Virgin Islands with limited liability
"%"	per cent

AL GROUP LIMITED
利駿集團（香港）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8360)

Executive Directors:
Mr. Yau Chung Ping
Mr. Lam Chung Ho, Alastair
Mr. Wong Kang Man

Independent non-executive Directors:
Mr. Tse Chi Shing
Mr. Kloeden Daniel Dieter
Mr. Tse Wai Hei

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Unit A, 35/F
EGL Tower
83 Hung To Road
Kwun Tong, Hong Kong

25 May 2018

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the Announcement. The purpose of this circular is to provide you with 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 together with the proxy form.

THE ACQUISITION AGREEMENT

Date: 15 December 2017

Parties: the Purchaser; and
the Vendor

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 and the Purchaser agreed to purchase 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 Purchaser and the Vendor and was determined with reference to the valuation of the entire equity interest in Primocasa at HK$181,169,000 as at 30 September 2017 prepared by the Valuer, based on the market value basis. Notwithstanding the valuation was determined as at 30 September 2017, which was few months before the Latest Practicable Date, the valuation was still valid and relevant as the Board is of the view that the financial position of the Target Group did not have material fluctuation and the market or industry that the Target Group operates in did not experience material change. Upon considering the major assumptions as stated in the valuation report of Primocasa in Appendix IV to this circular and upon discussion with the Valuer, the Board is of the view that the valuation approach adopted by the Valuer is fair and reasonable. 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".

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.

As at the Latest Practicable Date, all conditions except conditions (b) and (c) have been fulfilled. The Purchaser has no present intention to waive any of the conditions. If any condition shall be waived by the Purchaser, the Purchaser will have considered the materiality of the condition and the possible adverse impact on the Group. It is anticipated that conditions (b) and (c) will be fulfilled in or before June 2018. The long stop date was set on 31 December 2018 so to allow sufficient time for all the conditions to be fulfilled and completion will take place within 5 business days after fulfillment of the conditions precedent.

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.

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 Company. The remaining 51% of the entire issued share capital of the Target Company will be held by the Vendor.

THE PROMISSORY NOTE

Pursuant to the Acquisition Agreement, the Company will issue to the Vendor the Promissory Note upon Completion to partly settle the Consideration. Set out below are the principal terms of the Promissory Note:

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 the Company at its sole and absolute discretion 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 Initial 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

The Company intends to repay the outstanding amount of the Promissory Note by its internal resources, and if necessary and appropriate, equity or debt financing.

THE CONSIDERATION SHARES

The Consideration Shares represent (i) approximately 23.96% of the issued share capital of the Company as at the Last Trading Date; 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 Last Trading Date 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 Last Trading Date;

(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 Last Trading Date;

(c) a discount of approximately 8.38% to the closing price of HK$0.167 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(d) a discount of approximately 17.30% over the audited net asset value attributable to owners of the Company as at 31 December 2017 of approximately HK$0.185 per Share.

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.

EFFECT ON THE ISSUE OF THE CONSIDERATION SHARES ON SHAREHOLDING STRUCTURE

Assuming there is no change to the issued share capital of, and the shareholding in, the Company from the Latest Practicable Date and up to the day on which the Consideration Shares are issued, the shareholding structure of the Company as at the Latest Practicable Date and immediately after the issue of the Consideration Shares will be as follows:

	As at the Latest Practicable Date		**After allotment and issue of the Consideration Shares**	
Shareholders	*Number of Shares*	*%*	*Number of Shares*	*%*
Legend Investments International Limited *(Note)*	144,004,000	30.00	144,004,000	24.20
The Vendor	—	—	115,000,000	19.33
Public Shareholders	335,996,000	70.00	335,996,000	56.47
Total	**480,000,000**	**100.00**	**595,000,000**	**100.00**

Note: Legend Investments International Limited is legally and beneficially owned as to 80% by Mr. Yau Chung Ping.

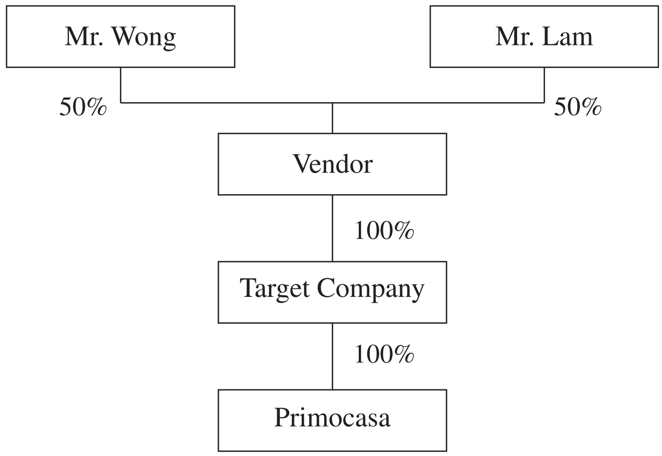
INFORMATION OF THE TARGET GROUP

The Target Group consists of the Target Company and Primocasa.

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.

The following chart shows the shareholding structure of the Target Group as at the Latest Practicable Date:



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)	
	HK$'000	*HK$'000*
	(Audited)	*(Audited)*
Turnover	38,358	49,170
Profit before taxation	8,627	15,419
Profit after taxation	7,317	12,816

Please refer to Appendix II of this circular for further financial information of the Target Group.

INFORMATION OF THE VENDOR

Based on the information provided by the Vendor, the Vendor is a company incorporated in the British Virgin Islands with limited liability and is owned as to 50% by Mr. Wong and 50% by Mr. Lam. The Vendor is principally engaged in investment holdings and currently holds the entire issued share capital of the Target Company.

THE COOPERATION AGREEMENT

Date: 15 December 2017

Parties: the Company; and
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 fee shall be determined based on the following principles:

(a) the subcontracting fees shall be on normal commercial terms after arm's length negotiation;

(b) the subcontracting fees shall be no less favorable than those offered by independent third parties; and/or

(c) the subcontracting fees shall be no less favourable than the prevailing market price.

The subcontracting fee shall be determined on an order-by-order basis taking into account (i) the total sum of the contract between the Group or the Target Group (as the case may be) and the third party client; (ii) the nature and expected duration of the subcontracted services; (iii) the profitability of the relevant subcontracted services; (iv) any specific requirements of the relevant customers; (v) the fee of similar projects (where available) with independent third parties.

For each subcontracting transaction, the subcontracting party shall disclose the payment terms as agreed with the third party client to the subcontractor. The subcontracting party shall pay the proportional amount of the fees relating to the subcontracted services to the subcontractor within seven working days after the subcontracting party receives all or part of the contract sum from the third party client.

The Group subcontracts services to the Target Group

If the Group is awarded a design and/or design and fit-out project, the Group will obtain quotation from the Target Group and at least two independent third party subcontractors to ensure the terms offered by the Target Group are no less favourable than those offered by independent third party. The Group would determine the winner primarily based on pricing and also taking into account experience, reputation and resources available of the subcontractors. The Group has maintained a subcontractor list, the Group will send out quotation enquiry to companies similar and in the same industry as Target Group for subcontracted services required. The Target Group is not a preferred subcontractor of the Group and its quotation will be considered on an equal basis with those of the independent third party subcontractors. The final fee of the subcontracted services will be determined by the Group and the subcontractor with reference to (i) the total sum of the contract between the Group and the third party client; and (ii) the nature, expected duration, cost and complexity of the subcontracted services.

The Target Group subcontracts services to the Group

The business development department of the Group is responsible for the initial determination of the pricing of the projects undertaken by the Group. With years of experience in the industry, the business development department has maintained an internal per area price list (the "**Price List**") which provides an indicative per area price for projects of different nature. When the Target Group approaches the Group in respect of the potential design services, the business development department of the Group will recommend a project quotation based on the project nature, per area price as suggested by the Price List and area of the project site, and adjusted for factors including location, expected project duration, staffing, professional and administrative costs. Upon the final review and approval by two executive Directors, the project quotation will be proposed to the Target Group for consideration and further negotiation.

The Company will also compare the terms of the subcontracted project with at least two projects of comparable nature and complexity recently engaged by the Group with independent third party clients to ensure that the fee and other terms are no less favorable than those offered by independent third parties and prevailing market price. If no such similar project is available, the management of the Company will ensure that the profitability of the project subcontracted by Target Group is within the range of other subcontracted projects undertaken by the Group with independent third party clients during the past six months.

(ii) ***Referral***

It is estimated that the referral fee shall be not more than 10% of the contract sum of the services to be provided by the referee to the third party client. Referral is a common way of sourcing clients in the design and fit-out industry. The maximum referral fee rate of 10% was determined by the parties after considering (i) the referral fee rates charged by other players in the market, (ii) actual referral fee received/paid by the Group and the Target Company from past experience with independent third parties, and (iii) the general profit margin of design and fit-out industry. The Directors consider such maximum fee to be fair and reasonable and in line with market rates. The actual referral fee for each referred project shall be determined by the parties after arm's length negotiation on normal commercial terms with reference to the contract sum and the profitability of the project and shall be no less favourable to the Group than those referral fees paid/received by the Group in respect of other similar projects. 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.

In light of the above arrangements and the proposed measures to be taken by the Company, the Board is of the view that the pricing terms under the Cooperation Agreement represents normal commercial terms or better and is in the interest of the Company and shareholders as a whole.

The Company shall ensure the above arrangement and the proposed measures to be fully implemented and adopted throughout the term of the Cooperation Agreement. Each of the separate agreement to be entered into shall be reviewed and approved by the business development department of the Group to ensure that the terms of such agreement will not deviate from the terms of the Cooperation Agreement. In addition, the business development department of the Group will review its pricing policies on a regular basis and the Board shall annually review the implementation and enforcement of the Cooperation Agreement (including the relevant pricing mechanism).

(iii) ***Annual Caps***

The proposed Annual Caps are as follows:

	Proposed Annual Caps for the	
	first contract year	**second contract year**
	(HK$ million)	*(HK$ million)*
Subcontracting and referral fees payable by the Target Group to the Group	4	4.5
Subcontracting and referral fees payable by the Group to the Target Group	4	4.5

The Annual Caps are determined based on (i) the historical cooperation with independent third parties by the Group and the Target Group; and (ii) the expectation on business prospects of the Group and the Target Group during the term of the Cooperation Agreement. The Group did not have any historical transactions with the Target Group that were similar to those under the Cooperation Agreement.

Upon reviewing the Cooperation Agreement, the independent non-executive Directors are of the view that the terms of subcontracting and referral are fair and reasonable on normal commercial terms or better and in the ordinary and usual course of business of the Company; and in the interest of the Company and its shareholders as a whole.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ACQUISITION 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 Company has been reviewing its businesses, with an aim to expanding its interior design and fit-out solutions business and acquiring prospective businesses.

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 Latest Practicable Date, the Target Group was awarded "The Best Home & Living Brand — The Best Interior Design Award" by GoHome.com.hk in 2012, "2017 Most Valuable Services Awards in Hong Kong" by Mediazone Ltd. in 2017 and "REA Interior Design Awards 2018" by REA Group in 2018, 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 between the Group and the Target Group 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 under the Cooperation Agreement. 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 Purchaser has been in negotiation with the Vendor for acquiring a majority stake of the Target Company but the Vendor was only willing to sell a minority stake with a view to develop the Target Group together with the Group in light of the strength and listing status of the Group. The Company will consider acquiring further interest in the Target Company subject to the performance of the Target Group and the agreement of the Vendor.

As at the Latest Practicable Date, the Company does not have any intention, negotiation, agreement, arrangement and/or understanding (concluded or otherwise) about acquisition or injection of any new business; and disposal or downsizing of the Group's existing business.

FINANCIAL EFFECTS OF THE ACQUISITION

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 Company.

Based on the unaudited pro forma statement of assets and liabilities of the Group as set out in Appendix III to this circular, it is expected that upon Completion of the Acquisition, there will be (a) an increase in total assets of approximately HK$78.3 million, comprising investment in an associate; and (b) an increase in total liabilities of approximately HK$57.4 million, comprising promissory note payable. The details of the financial effect of the Acquisition on the financial position of the Group together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information of the Enlarged Group are set out, for illustration purpose only, in Appendix III to this circular.

The results and assets and liabilities of the Target Group will be accounted for as an associate in the Company's consolidated financial statements using the equity method of accounting. Under the equity method of accounting, interest in an associate is initially recognised at cost and adjusted thereafter for the change in the Group's share of net assets of the Target Group. Dividend received from the Target Group will reduce the carrying value of the Group's investment in an associate. The earnings of the Group will include share of the profit and loss of the Target Group, which will depend on the actual financial performance of the Target Group. Given that it is expected there will not be any material transaction cost or administrative expense to be incurred for the Acquisition and save for the aforesaid effects from the Acquisition, the Company considers that there will not be any material effect on the earnings of the Group immediately upon the Acquisition.

In view of the established business network and the profitable financial performance of the Target Group in the previous years, it is anticipated that the Acquisition will improve the Group's financial and trading prospects in the future. For details of the unaudited pro forma financial information of the Enlarged Group immediately following completion of the Acquisition, please refer to Appendix III to this circular.

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 announcement, circular and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

Upon completion of the Acquisition, the Target Company will become an associate of a substantial shareholder (i.e. the Vendor) and hence, will be a connected person of the Company under the GEM Listing Rules. Accordingly, the transactions contemplated under the Cooperation Agreement constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. As all of the applicable percentage ratio(s) for the proposed Annual Caps for the transactions contemplated under the Cooperation Agreement are expected to be lower than 25% and the annual consideration is expected to be lower than HK$10 million, the Cooperation Agreement, the transactions contemplated thereunder and the proposed Annual Caps are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Rule 20.74(2)(b) of the GEM Listing Rules.

GENERAL

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. 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.

A notice convening the EGM to be held at Unit A, 35/F, EGL Tower, 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong on 12 June 2018 at 11:30 a.m. is set out on pages 90 to 92 of this circular. All resolutions proposed at the EGM will be voted on by poll. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish.

RECOMMENDATION

The Directors are of the view that the Acquisition is fair and reasonable, is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that all Shareholders should vote in favour of the relevant resolutions to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

FURTHER INFORMATION

Your attention is also drawn to the additional information as set out in the appendices to this circular.

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

1. FINANCIAL SUMMARY

The financial information of the Group for each of the three financial years ended 31 December 2015, 2016 and 2017 are disclosed in the Company's Prospectus, annual reports for the years ended 31 December 2016 and 31 December 2017, and are incorporated by reference into this circular. The said reports of the Company have been posted on the website of the Stock Exchange at **http://www.hkex.com.hk** and the website of the Company at **http://www.al-grp.com**.

The financial information of the Group for the financial year ended 31 December 2015 is disclosed in the Prospectus of the Company published on 29 June 2016, from pages I-1 to I-34. The quick link is below:

http://www.hkexnews.hk/listedco/listconews/GEM/2016/0629/GLN20160629045.pdf

The financial information of the Group for the financial year ended 31 December 2016 is disclosed in the annual report for the financial year ended 31 December 2016 of the Company published on 24 March 2017, from pages 61 to 107. The quick link is below:

http://www.hkexnews.hk/listedco/listconews/GEM/2017/0324/GLN20170324159.pdf

The financial information of the Group for the financial year ended 31 December 2017 is disclosed in the annual report for the financial year ended 31 December 2017 of the Company published on 23 March 2018, from pages 71 to 125. The quick link is below:

http://www.hkexnews.hk/listedco/listconews/GEM/2018/0325/GLN20180325009.pdf

2. INDEBTEDNESS

As at the close of business on 31 March 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the publication of the Circular, the Enlarged Group had bank loan due by the Target Group of HK$1,727,147 which is guaranteed by the directors of the Target Company.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Enlarged Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding as at the close of business on 31 March 2018.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, taking into account the expected completion of the Acquisition, the internal financial resources available and the existing available facilities of the Enlarged Group, the Enlarged Group will have sufficient working capital for its present requirements for at least twelve months from the date of publication of this circular in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Upon Completion, the Group will continue to principally engage in the provision of interior design and fit-out solutions in Hong Kong.

For the financial year ended 31 December 2017, our total revenue has amounted to approximately HK$118.7 million, which represented an increase of approximately 35.5% when compared with the financial year ended 31 December 2016. Excluding projects relating to maintenance and after-sales services, the average revenue per project was approximately HK$2.44 million in 2017, which represented a growth of approximately 23.2% from 2016 to 2017. The number of our projects for the financial year ended 31 December 2017 also had an increase of approximately 11.6% when compared with the financial year ended 31 December 2016.

The Group has continuously been awarded projects since 2018 by its existing and new customers who value 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 which will come online and contribute to the total revenue in 2018 and beyond. As at the Latest Practicable Date, the Group has secured projects, the total contract sum of which amounts to approximately HK$46 million for which there was no commencement of work prior to 31 March 2018.

In respect of the interior design and fit-out solutions business, it is expected that the Acquisition will serve as a diversification of revenue source which will enable 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. The Group and the Target Group have different clientele which can bring synergy to the Group to gain wider exposure. The Group can also leverage on the expertise of the Target Group to strengthen the Group's market position in the industry.

On top of the provision of interior design and fit-out solutions, the Group has also commenced a new business activity involving investment in securities in the fourth quarter of 2017, which may include long-term and short-term investments in listed securities in Hong Kong and other recognised securities markets in overseas as well as other related investment products offered by banks and other financial institutions (the "**New Business Activity**"). In light of the flourishing securities market, the Group started to develop the New Business Activity. The Directors believe that the New Business Activity may diversify the income streams of the Group and enable the Group to capture investment opportunities with a view of maximizing the return of idle cash, mainly generated by the operating business. The Board is of the view that the commencement of the New Business Activity will be in the interest of the Company and its Shareholders as a whole. The New Business Activity is financed by the Group's own internal resources.

Looking ahead, the Enlarged Group will continue to take a prudent approach in its investment strategy in the coming year, enhance the quality of services and look for new potential investment opportunities to bring greater returns to the Shareholders.

PART A. ACCOUNTANTS' REPORT ON THE TARGET GROUP

The following is the text of a report received from the Company's reporting accountants, CCTH CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

CCTH CPA LIMITED
中正天恆會計師有限公司

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF AL GROUP LIMITED

INTRODUCTION

We report on the historical consolidated financial information of Primo Group (BVI) Limited (the ''Target Company'') and its subsidiary (collectively referred to as the ''Target Group'') set out on pages 25 to 61 which comprises the consolidated statements of financial position as at 31 March 2015, 2016 and 2017 and 31 December 2017, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 March 2015, 2016 and 2017 and the nine months ended 31 December 2017 (together the ''Relevant Periods'') and a summary of significant accounting policies and other explanatory information (together the ''Historical Financial Information''). The Historical Financial Information set out on pages 25 to 61 forms an integral part of this report, which has been prepared for inclusion in the circular of AL Group Limited (the ''Company'') dated 25 May 2018 (the ''Circular'') in connection with the proposed acquisition (the ''Acquisition'') by the Company of 49% equity interest in the Target Company.

DIRECTORS' RESPONSIBILITIES FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

OPINION

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the consolidated financial position of the Target Group as at 31 March 2015, 2016 and 2017 and 31 December 2017 and of the Target Group's consolidated financial performance and consolidated cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative consolidated financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 31 December 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Target Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong

Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 25 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

CCTH CPA Limited
Certified Public Accountants
Hong Kong

Leung Kam Wan
Practising Certificate Number P02512

25 May 2018

Unit 5–6, 7/F., Greenfield Tower, Concordia Plaza,
1 Science Museum Road, Tsim Sha Tsui,
Kowloon, Hong Kong

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

No statutory financial statements of the Target Company since its date of incorporation have been prepared and we have reviewed all the transactions occurred by the Target Company for the period from its date of incorporation to the date of this report.

The financial statements of the Target Company's subsidiary, Primocasa Interiors Limited ("Primocasa"), for each of the years ended 31 March 2015 and 2016 and the year ended 31 March 2017 were audited by Wongs and Tam and Alan Chan & Company, both of which are firms of certified Public Accountants practising in Hong Kong. We have performed the audit on the financial statements of Primocasa for the nine months ended 31 December 2017 in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars ("HK$") except where otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March			Nine months ended 31 December	
		2015	**2016**	**2017**	**2016**	**2017**
	Notes	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
					(unaudited)	
Revenue	*6*	25,316,279	38,358,155	49,170,432	21,796,113	33,601,121
Contract costs recognised		(17,857,579)	(24,708,576)	(28,097,246)	(16,649,412)	(25,872,830)
Gross profit		7,458,700	13,649,579	21,073,186	5,146,701	7,728,291
Other income and gains	*7*	448,400	622,403	255,030	528,230	150
Administrative expenses		(5,491,116)	(5,626,743)	(5,855,966)	(4,984,975)	(11,760,334)
Finance costs	*8*	(28,954)	(18,095)	(53,184)	(10,122)	(144,569)
Profit/(loss) before tax	*9*	2,387,030	8,627,144	15,419,066	679,834	(4,176,462)
Income tax expense	*10*	(452,879)	(1,310,405)	(2,603,027)	(112,582)	(183,896)
Profit/(loss) and total comprehensive income/(expense) for the year/period		1,934,151	7,316,739	12,816,039	567,252	(4,360,358)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 March			As at 31 December
		2015	2016	2017	2017
	Notes	*HK$*	*HK$*	*HK$*	*HK$*
Non-current assets					
Property, plant and equipment	*14*	405,709	1,546,491	682,083	362,445
Current assets					
Inventories	*15*	—	191,759	165,393	186,830
Trade and other receivables	*16*	94,000	424,240	1,300,211	4,046,830
Deposits and prepayments	*17*	1,716,055	595,060	1,217,465	500,600
Amounts due from customers for contract work	*18*	30,499	1,666,179	1,283,983	338,751
Amounts due from related companies	*19*	70,150	—	—	41,020
Amounts due from directors	*20*	266,326	3,538,477	5,523,556	7,358,463
Amount due from a shareholder	*21*	—	—	—	8,426
Income tax recoverable		18,484	—	—	—
Bank balances and cash		8,053,747	5,747,036	19,274,151	8,913,890
		10,249,261	12,162,751	28,764,759	21,394,810
Current liabilities					
Trade and other payables	*22*	1,263,182	1,968,611	3,133,543	1,145,489
Amount due to a related company	*23*	—	160,000	160,000	160,000
Amount due to a director	*24*	610,800	—	—	—
Amounts due to customers for contract work	*18*	6,231,822	2,392,460	832,180	1,205,101
Income tax payable		—	550,436	1,409,158	1,252,952
Bank borrowings	*25*	507,754	—	3,685,675	2,228,443
Obligations under finance lease	*26*	—	250,489	257,850	108,843
		8,613,558	5,321,996	9,478,406	6,100,828
Net current assets		1,635,703	6,840,755	19,286,353	15,293,982
Total assets less current liabilities		2,041,412	8,387,246	19,968,436	15,656,427
Non-current liabilities					
Obligations under finance lease	*26*	—	301,540	43,691	—
Net assets		2,041,412	8,085,706	19,924,745	15,656,427
Capital and reserves					
Share capital	*27*	20,000	20,000	20,000	107,640
Reserves		2,021,412	8,065,706	19,904,745	15,548,787
Total equity		2,041,412	8,085,706	19,924,745	15,656,427

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Merger reserve	Retained profits	Total
	HK$	*HK$*	*HK$*	*HK$*
At 1 April 2014	20,000	—	1,767,261	1,787,261
Profit and total comprehensive income for the year	—	—	1,934,151	1,934,151
Interim dividend declared for the year *(Note 13)*	—	—	(1,680,000)	(1,680,000)
At 31 March 2015 and 1 April 2015	20,000	—	2,021,412	2,041,412
Profit and total comprehensive income for the year	—	—	7,316,739	7,316,739
Interim dividend declared for the year *(Note 13)*	—	—	(1,272,445)	(1,272,445)
At 31 March 2016 and 1 April 2016	20,000	—	8,065,706	8,085,706
Profit and total comprehensive income for the year	—	—	12,816,039	12,816,039
Interim dividend for the year *(Note 13)*	—	—	(977,000)	(977,000)
At 31 March 2017 and 1 April 2017	20,000	—	19,904,745	19,924,745
Loss and total comprehensive income for the period	—	—	(4,360,358)	(4,360,358)
Issue of shares in cash	92,040	—	—	92,040
Issue of shares for acquisition of subsidiary, accounted for on merger basis *(Note b)*	(4,400)	4,400	—	—
At 3l December 2017	107,640	4,400	15,544,387	15,656,427
Nine months ended 31 December 2016 (unaudited)				
At 1 April 2016	20,000	—	8,065,706	8,085,706
Profit and total comprehensive income for the period	—	—	567,252	567,252
At 31 December 2016 (Unaudited)	20,000	—	8,632,958	8,652,958

Notes:

(a) The share capital at 1 April 2014, 31 March 2015 and 1 April 2015, 31 March 2016 and 1 April 2016, and 31 March 2017 and 1 April 2017 represents the carrying amount of the issued share capital of Primocasa, the subsidiary of the Target Company, as at those dates.

(b) On 19 June 2017, the Target Company acquired the entire equity interest in Primocasa for the consideration which was satisfied by the issue of 2,000 shares by the Company. The excess of the carrying amount of the share capital of the subsidiary acquired amounted to HK$20,000 over the carrying amount of the new shares of the Company issued amounted to HK$15,600 is classified and included in merger reserve.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Nine months ended 31 December	
	2015	2016	2017	2016	2017
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Operating activities					
Profit/(loss) before tax	2,387,030	8,627,144	15,419,066	679,834	(4,176,462)
Adjustments for:					
Depreciation of property, plant and equipment	652,768	662,337	465,763	347,677	349,747
Finance costs	28,954	18,095	53,184	10,122	144,569
Bank interest income	—	(7,434)	—	—	—
Loss/(gain) on disposal of property, plant and equipment	122,900	(602,200)	(68,000)	(345,200)	—
Operating cash flows before movements in working capital	3,191,652	8,697,942	15,870,013	692,433	(3,682,146)
(Increase)/decrease in inventories	—	(191,759)	26,366	191,759	(21,437)
(Increase)/decrease in trade and other receivables	(94,000)	(330,240)	(875,971)	(424,240)	(2,746,619)
(Increase)/decrease in deposits and prepayments	(1,360,601)	1,120,995	(622,405)	(448,721)	716,865
Decrease/(increase) in amounts due from customers for contract work	412,167	(1,635,680)	382,196	(992,762)	945,232
Decrease/(increase) in amounts due from related companies	—	70,150	—	—	(41,020)
Increase in amounts due from directors	(253,763)	(3,272,151)	(1,985,079)	(415,040)	(1,834,907)
Increase in amount due from a shareholder	—	—	—	—	(8,426)
Increase/(decrease) in trade payables and other payables	965,720	705,429	1,164,932	2,598,778	(1,988,054)
(Decrease)/increase in amount due to a related company	(47,270)	160,000	—	—	—
Decrease in amount due to a director	—	(610,800)	—	—	—
Increase/(decrease) in amounts due to customers for contract work	5,259,969	(3,839,362)	(1,560,280)	(1,649,685)	372,921
Cash generated from/(used in) operations	8,073,874	874,524	12,399,772	(447,478)	(8,287,591)
Income tax paid	(645,503)	(741,485)	(1,744,305)	—	(340,102)
Net cash generated from/(used in) operating activities	7,428,371	133,039	10,655,467	(447,478)	(8,627,693)
Investing activities					
Acquisition for property, plant and equipment	(365,000)	(1,476,407)	(63,355)	(27,918)	(30,109)
Proceeds from disposal of property, plant and equipment	190,000	950,000	530,000	530,000	—
Interest received	—	7,434	—	—	—
Net cash (used in)/generated from investing activities	(175,000)	(518,973)	466,645	502,082	(30,109)

	Year ended 31 March			Nine months ended 31 December	
	2015	2016	2017	2016	2017
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Financing activities					
Proceed from new bank loans	1,000,000	—	4,000,000	—	—
Repayment of bank loans	(625,579)	(507,754)	(314,325)	—	(1,457,232)
Repayment of obligations under finance lease	—	(122,483)	(250,488)	(187,177)	(192,698)
Dividend paid to shareholders	(1,680,000)	(1,272,445)	(977,000)	—	—
Proceeds of issue of shares	—	—	—	—	92,040
Interest paid	(28,954)	(9,047)	(40,608)	—	(139,968)
Finance charge on finance lease paid	—	(9,048)	(12,576)	(10,122)	(4,601)
Net cash (used in)/generated from financing activities	(1,334,533)	(1,920,777)	2,405,003	(197,299)	(1,702,459)
Net increase/(decrease) in cash and cash equivalents	5,918,838	(2,306,711)	13,527,115	(142,695)	(10,360,261)
Cash and cash equivalents at beginning of the year/period	2,134,909	8,053,747	5,747,036	5,747,036	19,274,151
Cash and cash equivalents at end of the year/period	8,053,747	5,747,036	19,274,151	5,604,341	8,913,890
Analysis of cash and cash equivalents					
Bank balances and cash	8,053,747	5,747,036	19,274,151	5,604,341	8,913,890

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company was incorporated in the British Virgin Islands with limited liability on 17 May 2017. The address of the registered office and principal place of business of the Target Company is OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands and 29th Floor, Singga Commercial Centre, 148 Connaught Road West, Hong Kong respectively.

The Target Company is an investment holding company. The subsidiary of the Target Company, Primocasa Interiors Limited ("Primocasa"), is principally engaged in the provision of interior design service and fit-out solutions.

On 15 December 2017, a subsidiary of the Company (the "Purchaser") entered into an agreement with Climb Up Limited ("Climb Up"), the holding company of the Target Company, under which the Purchaser has agreed to acquire 49% equity interest of the Target Company from Climb up. Details of the acquisition are set out in the announcement dated 15 December 2017 made by the Company.

The Historical Financial Information of the Target Group for the Relevant Periods is presented in Hong Kong dollars, which is the same as the functional currency of the Target Company.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information of the Target Group has been prepared for inclusion in the Circular in connection with the Acquisition.

The Target Company was incorporated on 17 May 2017. Upon incorporation, the Company issued 5,000 new shares to each of Mr. Wong Yu Ki, Andy ("Mr. Wong") and Mr. Lam Leslie ("Mr. Lam"). On 19 June 2017, the Target Company has undergone the reorganisation (the "Reorganisation"), under which the Target Company acquired each of 50% equity interest in Primocasa from Mr. Wong and Mr. Lam for the consideration which was satisfied by the issue by the Company of 1,000 new shares to each of Mr. Wong and Mr. Lam. Upon completion of the reorganisation, the Target Company became the holding company of Primocasa.

The companies now comprising the Target Group were under common control of Mr. Wong and Mr. Lam before and after the internal transfer within the Reorganisation. Accordingly, the internal transfer within the Reorganisation is regarded as a business combination under common control, and for the purpose of this report, the Underlying Financial Statements have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows are prepared as if the current group structure had been in existence throughout the Relevant Periods. The consolidated statements of financial position as at 31 March 2015, 2016 and 2017 and 31 December 2017 present the assets and liabilities of the companies now comprising the Target Group as if the current group structure had been in existence at those dates.

There was no adjustment made to the net assets nor the net profit or loss of any companies now comprising the Target Group in order to achieve consistency of the Target Group's accounting policies.

The Historical Financial Information of the Target Group has been prepared based on the accounting policies set out in Note 4 which conform with HKFRSs issued by the HKICPA.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Group has consistently applied all of the HKFRSs issued by the HKICPA which are effective for the accounting period beginning on 1 April 2017 throughout the Relevant Periods.

At the date of this report, the Target Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]
Amendments to HKAS 19	Employee Benefits[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted
2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted
3 Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted
4 The original effective date has been deferred to a date yet to be determined

HKFRS 9 Financial Instruments

HKFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments.

HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income, and fair value through profit or loss (''FVTPL''). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in other comprehensive income, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39.

Based on the preliminary assessment, the Target Group expects that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of HKFRS 9. The Target Group currently does not have any financial liabilities designated at FVTPL and therefore the new requirement may not have any impact on the Target Group on adoption of HKFRS 9. The new impairment model may result in an earlier recognition of credit losses on the Target Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarification to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Target Company consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18 and HKAS 11, however, the allocation of total consideration to the respective performance obligations will be based on relative fair values which will potentially affect the timing and amounts of revenue recognition. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Target Group.

The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Target Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Furthermore, extensive disclosures are required by HKFRS 16.

The application of new requirements under HKFRS 16 may result in changes in measurement, presentation and disclosure in the Historical Financial Information. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Target Company complete a detailed review.

Other new and revised HKFRSs not effective

The directors of the Target Company anticipate that the application of other new and revised HKFRSs not yet effective will have no material impact on the Historical Financial Information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes all applicable disclosures required by The Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

— Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

— Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

— Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted by are as follows:

Basis of consolidation

The Historical Financial Information includes the financial information of the Target Company and its subsidiary.

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Company (i) has power over the investee; (ii) is exposed, or has rights, to variable returns from its involvement with the investee; and (iii) has the ability to affect those returns through its power over the investee.

Consolidation of a subsidiary begins when the Target Company obtains control over the subsidiary and ceases when the Target Company loses control of the subsidiary.

Business combinations — common control combinations

Business combinations under common control are accounted for in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations". In applying merger accounting, the Historical Financial Information incorporates the financial information items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets and liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The consolidated statement of profit or loss and other comprehensive income also takes into account the profit or loss attributable to the non-controlling interests of the controlling party. Upon the completion of common control combinations, the retained profits of the combining entities or business is transferred to the retained profits of the Group.

The Historical Financial Information are presented as if the entities or businesses had been combined at the beginning of the Relevant Periods or when they first came under common control, whichever is shorter.

Business combinations — acquisition method

The Target Group applies the acquisition method to account for business combinations other than common control combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Target Company. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at acquisition date.

Acquisition-related costs are expenses as incurred.

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 consideration transferred, non-controlling interest recognised and previously held interest measured 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 profit or loss.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation. Where necessary, amounts reported by the subsidiary have been adjusted to conform with the Target Group's accounting policies.

Disposal of subsidiaries

When the Target Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Target Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Impairment losses on assets other than goodwill

At the end of each reporting period, the Target Group reviews the carrying amounts of its assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from "profit before tax" as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The liability for current tax of the Target Group is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

Each entity in the Target Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss in respect of the period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

For the purpose of presenting Historical Financial Information, the assets and liabilities of the group entities are translated into the presentation currency at the exchange rates prevailing at the end of the reporting period and their income and expenses are translated into Hong Kong dollars at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statements of financial position when the Target Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The financial assets of the Target Group are accounted for as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies, directors and shareholder and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— breach of contract, such as default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of an impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amounts due to a director and a related company, and bank borrowings) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, the shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Target Group derecognises financial liabilities when, and only when the Target Group's obligation is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Construction contracts

When the outcome of a construction contract 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, measured based on the proportion of 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.

When 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.

When 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 recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statements of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statements of financial position under trade and other receivables.

Inventories

Inventories are initially recognised at cost, and subsequently at lower of the cost and net realisable value. Cost is determined using the weighted average basis. The cost of inventories shall comprise all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price for inventories less estimated costs of completion and costs necessary to make the sale.

Employee benefits

(a) ***Short term employee benefits***

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled within twelve months after employees have rendered services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

(b) ***Defined contribution retirement plan***

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

Provisions and contingent liabilities

Provision are recognized for liabilities of uncertain timing or amount when the Target Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Target Group's accounting policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, and are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the Target Group.

Revenue from a contract to provide fitting out and renovation services is recognised by reference to the stage of completion of the contract, measured by reference to the proportion that costs incurred to date bear to estimated total costs for each contract, after making due allowances for contingencies. Provisions are made for any foreseeable losses when they are identified. Variation in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipts is considered probable.

Interior design services income is recognised when the services have been rendered.

Agency income is recognised when the goods on which the agency income is calculated are delivered.

Commission income is recognised when the relevant services have been rendered.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in Note 4, the directors of the Target Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Estimation of contract revenue and costs

The Target Group recognises revenue and costs of fitting out and renovation works according to the management's estimation of the progress and outcome of the project. Estimated contract revenue is determined with reference to the terms of the relevant contracts. Estimated contract cost, which mainly comprises direct labour cost, subcontracting charges and costs of materials, is variable and estimated by the management on the basis of estimated cost of labour, subcontracting charges and cost of materials from time to time based on quotation provided by the major subcontractors/suppliers/vendors involved and the experience of the management. Notwithstanding that management frequently reviews and revises the estimates of both contract revenue and costs as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit or loss recognised.

Impairment of receivables

The Target Group recognises impairment losses for receivables (including trade and other receivables, and amounts due from related companies, directors and shareholder) resulting from the inability of the counterparties to make the required payments. The evaluation of collectability of receivables is based on the aging of the receivables, counterparties credit-worthiness, and historical write-off experience. If the financial condition of the counterparties were to deteriorate, actual write-offs would be higher than estimated.

6. REVENUE AND SEGMENT INFORMATION

An analysis of the Target Group's revenue is as follows:

	Year ended 31 March			Nine months ended 31 December	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Revenue from interior design services	2,641,500	1,900,039	4,531,947	1,156,000	1,193,006
Revenue from fitting out and renovation contract services	22,674,779	36,458,116	44,638,485	20,640,113	32,408,115
	25,316,279	38,358,155	49,170,432	21,796,113	33,601,121

The Target Group is engaged in provision of interior design service and fitting out and renovation services in Hong Kong. The directors of the Target Company consider that the Target Group has only one single operating segment and no analyses of segment information are presented.

7. OTHER INCOME AND GAINS

	Year ended 31 March			Nine months ended 31 December	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Bank interest income	—	7,434	—	—	—
Commission income	116,858	12,187	173,430	173,430	—
Gain on disposal of property, plant and equipment	—	602,200	68,000	354,200	—
Reimbursements from a third party of administrative expenses incurred	301,650	—	—	—	—
Sundry income	29,892	582	13,600	600	150
	448,400	622,403	255,030	528,230	150

8. FINANCE COSTS

	Year ended 31 March			Nine months ended 31 December	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Interest on bank overdraft	28,954	9,047	40,608	—	139,968
Finance charges on finance leases	—	9,048	12,576	10,122	4,601
	28,954	18,095	53,184	10,122	144,569

9. PROFIT/(LOSS) BEFORE TAX

	Year ended 31 March			Nine months ended 31 December	
	2015	2016	2017	2016	2017
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Profit/(loss) before tax is arrived at after charging:					
Staff costs:					
Salaries and other benefits	4,083,861	4,410,645	4,216,086	2,928,533	3,786,755
Retirement benefits scheme contributions	142,879	171,867	142,855	99,840	146,342
Total staff costs	4,226,740	4,582,512	4,358,941	3,028,373	3,933,097
Auditor's remuneration	22,500	28,000	50,000	—	—
Cost of inventories recognised as expenses	—	17,075	118,934	191,759	104,830
Depreciation of property, plant and equipment	652,768	662,337	465,763	347,677	349,747
Expenses incurred for proposed initial public offering included in administrative expenses	—	—	—	—	5,091,716
Loss on disposal of property, plant and equipment	122,900	—	—	—	—
Operating lease rentals in respect of rented premises	1,323,000	1,905,730	2,203,413	1,655,628	1,680,577

10. INCOME TAX EXPENSE

	Year ended 31 March			Nine months ended 31 December	
	2015	2016	2017	2016	2017
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Hong Kong Profits Tax	452,879	1,310,405	2,603,027	112,582	183,896

Hong Kong Profits Tax is calculated at the rate of 16.5% on the estimated assessible profits for each of the reporting periods. There are no known tax liabilities elsewhere.

No deferred tax has been provided in the Historical Financial Information as there were no material temporary differences for each of the Relevant Periods.

The income tax expense can be reconciled to the profit/loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 March			Nine months ended 31 December	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Profit/(loss) before tax	2,387,030	8,627,144	15,419,066	679,834	(4,176,462)
Tax at the applicable income tax rate	393,860	1,423,479	2,544,146	112,173	(689,116)
Tax effect of income not taxable for tax purpose	—	(1,227)	—	(56,958)	—
Tax effect of expenses not deductible for tax purpose	—	9,359	—	57,367	840,132
Tax effect of deductible temporary difference not recognised	(69,019)	(101,206)	58,881	—	32,880
Over-provision in respect of prior periods	(10,000)	(20,000)	—	—	—
Income tax expense	452,879	1,310,405	2,603,027	112,582	183,896

11. EARNING/(LOSS) PER SHARE

No earning/(loss) per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	Year ended 31 March			Nine months ended 31 December	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Fees	—	—	—	—	—
Salaries and benefits-in-kind	720,000	1,191,536	1,123,413	845,628	870,577
Contribution to retirement benefits scheme	26,000	25,283	24,000	18,000	9,000
Total directors' emoluments	746,000	1,216,819	1,147,413	863,628	879,577

During the years ended 31 March 2015, 2016 and 2017 and the nine months ended 31 December 2016 and 2017, the five highest paid individuals in the Target Group, include the directors of the Target Company, Wong Yu Ki, Andy and Lam, Leslie, whose emoluments are included in the above. The emoluments of the remaining three individuals are as follows:

	Year ended 31 March			Nine months ended 31 December	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Salaries and benefits-in-kind	1,599,150	2,216,044	2,166,540	1,556,136	1,590,585
Contribution to retirement benefits scheme	50,533	60,188	73,029	33,777	45,625
	1,649,073	2,276,232	2,239,569	1,589,913	1,636,210

Their emoluments were all within HK$ Nil to HK$1,000,000.

13. INTERIM DIVIDEND DECLARED

	Year ended 31 March			Nine months ended 31 December	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Interim dividends paid	1,680,000	1,272,445	977,000	—	—

The interim dividends represent the dividends of HK$84, HK$63.62, and HK$48.85 per share declared and paid by Primocasa to its shareholders during the years ended 31 March 2015, 2016 and 2017 respectively. No dividends have been paid by the Target Company in respect of the Relevant Periods.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Computer	Furniture and fixtures	Motor vehicles	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Cost					
At 1 April 2014	501,132	249,923	182,593	2,270,000	3,203,648
Additions	—	—	—	365,000	365,000
Disposals	—	—	—	(447,000)	(447,000)
At 31 March 2015	501,132	249,923	182,593	2,188,000	3,121,648
Additions	—	115,164	—	2,035,755	2,150,919
Disposals	—	—	—	(2,188,000)	(2,188,000)
At 31 March 2016	501,132	365,087	182,593	2,035,755	3,084,567
Additions	—	31,825	31,530	—	63,355
Disposals	—	—	—	(660,000)	(660,000)
At 31 March 2017	501,132	396,912	214,123	1,375,755	2,487,922
Additions	—	30,109	—	—	30,109
At 31 December 2017	501,132	427,021	214,123	1,375,755	2,518,031
Accumulated depreciation					
At 1 April 2014	391,814	154,132	153,425	1,497,800	2,197,271
Charge for the year	100,227	46,974	29,167	476,400	652,768
Eliminated on disposals	—	—	—	(134,100)	(134,100)
At 31 March 2015	492,041	201,106	182,592	1,840,200	2,715,939
Charge for the year	9,090	42,521	—	610,726	662,337
Eliminated on disposals	—	—	—	(1,840,200)	(1,840,200)
At 31 March 2016	501,131	243,627	182,592	610,726	1,538,076
Charge for the year	—	46,730	6,306	412,727	465,763
Eliminated on disposals	—	—	—	(198,000)	(198,000)
At 31 March 2017	501,131	290,357	188,898	825,453	1,805,839
Charge for the period	—	35,472	4,730	309,545	349,747
At 31 December 2017	501,131	325,829	193,628	1,134,998	2,155,588
Carrying amount					
As at 31 March 2015	9,091	48,817	1	347,800	405,709
As at 31 March 2016	1	121,460	1	1,425,029	1,546,491
As at 31 March 2017	1	106,555	25,225	550,302	682,083
As at 31 December 2017	1	101,192	20,495	240,757	362,445

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	20%
Computer	20%
Furniture and fixtures	20%
Motor vehicles	20%

Included in motor vehicles at 31 March 2016, 31 March 2017 and 31 December 2017 are the carrying amounts of a motor vehicle held under finance lease amounted to HK$476,875, HK$305,380 and HK$133,385 respectively.

15. INVENTORIES

	As at 31 March			As at 31 December
	2015	**2016**	**2017**	**2017**
	HK$	*HK$*	*HK$*	*HK$*
Finished goods	—	191,759	165,393	186,830

16. TRADE AND OTHER RECEIVABLES

	As at 31 March			As at 31 December
	2015	**2016**	**2017**	**2017**
	HK$	*HK$*	*HK$*	*HK$*
Trade receivables	94,000	424,240	1,300,211	3,333,500
Other receivables	—	—	—	713,330
	94,000	424,240	1,300,211	4,046,830

Trade and other receivables as at end of each of the Relevant Periods were substantially denominated in the functional currency of the relevant companies in the Target Group.

Trade receivable

The Target Group has granted a credit period of not more than 30 days to its customers.

An aged analysis of the trade receivables at end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 March			As at 31 December
	2015	**2016**	**2017**	**2017**
	HK$	*HK$*	*HK$*	*HK$*
Within 30 days	—	—	688,130	3,288,500
31 to 60 days	—	100,000	365,791	—
61 to 90 days	94,000	—	246,290	—
More than 90 days	—	324,240	—	45,000
	94,000	424,240	1,300,211	3,333,500

The aged analysis of trade receivables at end of each of the Relevant Periods which are past due but not impaired is as follows:

	As at 31 March			As at 31 December
	2015	**2016**	**2017**	**2017**
	HK$	*HK$*	*HK$*	*HK$*
Within 30 days	—	100,000	365,791	—
31 to 60 days	94,000	—	246,290	—
61 to 90 days	—	324,240	—	45,000
	94,000	424,240	612,081	45,000

Based on past experience, the directors of the Target Company consider that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

Management of the Target Group 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 Target Group, debtors that are past due but not impaired are generally collectible.

Other receivable

The other receivable represents the amount due by Luxmed Solution (HK) Limited, an entity which was previously beneficially owned by the director, Mr. Wong, and was disposed of by Mr. Wong to a third party during the nine months ended 31 December 2017. The other receivable is unsecured, interest fee and repayable on demand, as follows:

	Year ended 31 March			Nine months ended 31 December
	2015	2016	2017	2017
	HK$	*HK$*	*HK$*	*HK$*
Amount outstanding				
— at beginning of the year/period	—	—	—	—
— at end of the year/period	—	—	—	713,330
Maximum balance outstanding during the year/period	—	—	—	713,330

17. DEPOSITS AND PREPAYMENTS

	As at 31 March			As at 31 December
	2015	2016	2017	2017
	HK$	*HK$*	*HK$*	*HK$*
Deposits paid	273,500	411,520	438,300	500,600
Prepayments	1,442,555	183,560	779,165	—
	1,716,055	595,060	1,217,465	500,600

18. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	As at 31 March			As at 31 December
	2015	2016	2017	2017
	HK$	*HK$*	*HK$*	*HK$*
Contract costs incurred plus recognised profit less foreseeable losses	10,731,905	22,679,233	24,582,719	2,836,288
Less: Progress billings	(16,933,228)	(23,405,514)	24,130,916	(3,702,638)
	(6,201,323)	(725,281)	451,803	(866,350)

Analysis for reporting purposes as:

Amounts due from customers for contract work	30,499	1,666,179	1,283,983	338,751
Amounts due to customers for contract work	(6,231,822)	(2,392,460)	(832,180)	(1,205,101)
	(6,201,323)	(726,281)	451,803	(866,350)

For the three years ended 31 March 2015, 2016, 2017, no retention was held by customers for contract work as at those dates. At 31 December 2017, retentions held by customers for contracts work amounted to HK$88,500 and have been included in trade and other receivables under current assets.

19. AMOUNTS DUE FROM RELATED COMPANIES

	As at 31 March			As at 31 December
	2015	**2016**	**2017**	**2017**
	HK$	*HK$*	*HK$*	*HK$*
Amounts due from:				
— Primo Living Limited ("Primo Living")	70,150	—	—	—
— Primo Investment Limited ("Primo Investment")	—	—	—	41,020
	70,150	—	—	41,020

Details regarding the amounts due from the related companies, which are interest free, unsecured and repayable on demand, are as follows:

	Year ended 31 March			Nine months ended 31 December
	2015	**2016**	**2017**	**2017**
	HK$	*HK$*	*HK$*	*HK$*
Amounts due from Primo Living				
— Balance at beginning of the year/period	—	70,150	—	—
— Balance at end of the year/period	70,150	—	—	—
— Maximum balance outstanding during the year/period	70,150	70,150	—	—
Amounts due from Primo Investment				
— Balance at beginning of the year/period	—	—	—	—
— Balance at end of the year/period	—	—	—	41,020
— Maximum balance outstanding during the year/period	—	—	—	41,020

The director of the Target Company, Mr. Wong, is a director of and has beneficial in both of the related companies.

20. AMOUNTS DUE FROM DIRECTORS

	As at 31 March			As at 31 December
	2015	**2016**	**2017**	**2017**
	HK$	*HK$*	*HK$*	*HK$*
Amounts due from:				
— Mr. Wong	266,326	3,536,277	5,521,356	7,122,963
— Mr. Lam	—	2,200	2,200	235,500
	266,326	3,538,477	5,523,556	7,358,463

Details regarding the amounts due from the directors, which are interest free, unsecured and repayable on demand, are as follows:

	Year ended 31 March			Nine months ended 31 December
	2015	**2016**	**2017**	**2017**
	HK$	*HK$*	*HK$*	*HK$*
Amounts due from Mr. Wong				
— Balance at beginning of the year/period	—	266,326	3,536,277	5,521,356
— Balance at end of the year/period	266,326	3,536,277	5,521,356	7,122,963
— Maximum balance outstanding during the year/period	266,326	3,536,277	5,521,356	7,122,963
Amounts due from Mr. Lam				
— Balance at beginning of the year/period	—	—	2,200	2,200
— Balance at end of the year/period	—	2,200	2,200	235,500
— Maximum balance outstanding during the year/period	—	2,200	2,200	235,500

21. AMOUNT DUE FROM A SHAREHOLDER

The amount due from a shareholder, Climb up, is interest free, unsecured and repayable on demand.

22. TRADE AND OTHER PAYABLES

	As at 31 March			As at 31 December
	2015	**2016**	**2017**	**2017**
	HK$	*HK$*	*HK$*	*HK$*
Trade payables *(Note i)*	—	—	1,421,787	361,073
Other payables				
Accrued charges	767,250	1,797,379	803,999	464,997
Advances receipts for contract work	390,000	—	594,396	—
Provision for warranty *(Note ii)*	105,932	171,232	313,361	319,419
	1,263,182	1,968,611	3,133,543	1,145,489

Notes:

(i) An aged analysis of trade payables at end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 March			As at 31 December
	2015	**2016**	**2017**	**2017**
	HK$	*HK$*	*HK$*	*HK$*
0 to 30 days	—	—	123,411	15,882
31 to 60 days	—	—	189,000	112,664
61 to 90 days	—	—	344,994	129,000
More than 90 days	—	—	764,382	103,527
	—	—	1,421,787	361,073

The credit period on trade payables granted to the Target Group is 30 days in respect of the Relevant Periods.

(ii) Movements in the provision for warranty are as follows:

	Year ended 31 March			Nine months ended 31 December
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of year/period	—	105,932	171,232	313,361
Provision for the year/period	105,392	171,232	313,361	197,091
Utilised during the year/period	—	(105,932)	(171,232)	(191,033)
At the end of year/period	105,932	171,232	313,361	319,419

The warranty represents the obligations for maintenance within a period of 12 months after date of completion of fitting out projects.

23. AMOUNT DUE TO A RELATED COMPANY

The amount due to a related company, Primo Kitchen Limited ("Primo Kitchen"), is interest free, unsecured and repayable on demand. Mr. Wong is a director of Primo Kitchen.

24. AMOUNTS DUE TO A DIRECTOR

The amount due to Mr. Lam is interest free, unsecured and repayable on demand.

25. BANK BORROWINGS

	As at 31 March			As at 31 December
	2015	2016	2017	2017
	HK$	*HK$*	*HK$*	*HK$*
Bank loans	507,754	—	3,685,675	2,228,443

The bank loans are denominated in Hong Kong dollars and carries interest at market rates.

The bank loans are secured by the guarantees given by the directors, Mr. Wong and Mr. Lam, under HKML SME Financing Guarantee Scheme.

26. OBLIGATIONS UNDER FINANCE LEASE

	As at 31 March			As at 31 December
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Analysed for reporting purposes as:				
Current liabilities	—	250,489	257,850	108,843
Non-current liabilities	—	301,540	43,691	—
	—	552,029	301,541	108,843

The Target Group leased a motor vehicle under finance lease. The term was 3 years. Interest rates on obligations under the finance lease was fixed at the contract rate of 1.18% per annum. The Target Group had options to purchase the motor vehicle for a nominal amount at the end of the lease term. No arrangements have been entered into for contingent rental payments. The above lease was secured by shareholder's guarantee.

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 March			As at 31 December	As at 31 March			As at 31 December
	2015	2016	2017	2017	2015	2016	2017	2017
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Within one year	—	263,064	263,064	109,610	—	250,489	257,850	108,843
In the second to fifth years, inclusive	—	306,908	43,844	—	—	301,540	43,691	—
	—	569,972	306,908	109,610	—	555,029	301,541	108,843
Less: Future finance charges	—	(17,943)	(5,367)	(767)	—	—	—	—
Present value of lease obligations	—	552,029	301,541	108,843	—	552,029	301,541	108,843
Less: Amount due for settlement within 12 months					—	(250,489)	(257,850)	(108,843)
Amount due for settlement after 12 months					—	301,540	43,691	—

27. SHARE CAPITAL

	As at 31 March 2015	As at 31 March 2016	As at 31 March 2017	As at 31 December 2017
	HK$	*HK$*	*HK$*	*HK$*
Issued and fully paid share capital of				
— the Target Company	—	—	—	107,640
— Princecasa, the subsidiary of the Target Company	20,000	20,000	20,000	—
	20,000	20,000	20,000	107,640

Details of the share capital of the Target Company are as follows:

	Number of shares	Nominal amount US$	Nominal amount Equivalent to HK$
Authorised:			
Upon incorporation on 17 May 2017 and at 31 December 2017	50,000	50,000	390,000
Issued and fully paid:			
Shares issued upon incorporation on 17 May 2017	10,000	10,000	78,000
Issue of shares			
— for acquisition of a subsidiary	2,000	2,000	15,600
— in cash	1,800	1,800	14,040
At 31 December 2017	13,800	13,800	107,640

The Target Company was incorporated in the BVI with limited liability on 17 May 2017, with an authorised share capital of United States dollar ("US$") 50,000 divided into 50,000 shares of US$1 each. Upon incorporation, the Target Company issued 10,000 shares of US$1 each for a consideration of US$10,000 to provide an initial capital to the Target Company.

On 19 June 2017, the Company issued 2,000 shares of US$1 each for the acquisition of the entire equity interest in Primocasa as detailed in Note 2.

On 27 June 2017 and 20 October 2017, the Company issued an aggregate of 1,800 new shares of US$1 each for the cash consideration of US$1,800 (equivalent to HK$14,040) to provide additional working capital to the Target Company.

28. OPERATING LEASE COMMITMENT

The Target Group rented office premise under operating lease arrangement, with the lease negotiated for a term with two years. At the end of each of the Relevant Periods, the Target Group had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

		As at 31 March		As at 31 December
	2015	2016	2017	2017
	HK$	*HK$*	*HK$*	*HK$*
Within one year	1,021,935	1,634,000	521,000	2,212,800
In the second to fifth years, inclusive	—	260,000	—	—
	1,021,935	1,894,000	521,000	2,212,800

29. CAPITAL RISK MANAGEMENT

The directors of the Target Company manage its capital to ensure that the Target Group will be able to continue as a going concern while maximising the return to its investor through the optimisation of debt and equity balance. The Target Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Group consists of share capital and reserves.

The directors of the Target Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Target Group will balance its overall capital structure through capital contribution and raising of new debts.

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

		As at 31March		As at 31 December
	2015	2016	2017	2017
	HK$	*HK$*	*HK$*	*HK$*
Financial assets				
Loans and receivables				
Trade and other receivables	94,000	424,240	1,300,211	4,046,830
Amounts due from related companies	70,150	—	—	41,020
Amounts due from directors	266,326	3,538,477	5,523,556	7,358,463
Amount due from a shareholder	—	—	—	8,426
Bank balances and cash	8,053,747	5,747,036	19,274,151	8,913,890
	8,484,223	9,709,753	26,097,918	20,368,629
Financial liabilities				
Financial liabilities at amortised cost				
Trade and other payables	1,263,182	1,968,611	3,291,070	1,145,489
Amount due to a related company	—	160,000	160,000	160,000
Amount due to a director	610,800	—	—	—
Bank borrowings	507,754	—	3,685,675	2,228,443
Obligations under finance lease	—	552,029	301,541	108,843
	2,381,736	2,680,640	7,438,286	3,642,775

Financial risk management objectives and policies

The Target Group's financial instruments include trade and other receivables, amounts due from related companies, directors and shareholder, bank balances and cash, trade and other payables, amounts due to a related company and a director and bank borrowing. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments are set out below:

(a) ***Market risk***

The Target Group's activities expose primarily to the market risks of changes in foreign currency exchange rates and interest rates.

Currency risk

The transactions are denominated in the same currency as the functional currency of the operations in which they related. No significant risks arose from changes in foreign currency exchange rates.

Interest rate risk

The Target Group has no significant interest-bearing assets and liabilities. Any change in interest rates in respect of the bank balances and bank borrowings of the Target Group is regarded insignificant as these bank balances and bank borrowings are short-term in nature. Accordingly, no sensitivity analysis to interest rate risk is presented. The Target Group has not used interest rate swaps to hedge its exposure to interest rate risk.

(b) ***Credit risk***

The Target Group's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, management of the Target Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors consider that the Target Group's credit risk is significantly reduced.

The Target Group had concentration of credit risks in relation to the amounts due from directors, details of which are set out in note 20.

The credit risk on liquid funds is limited because the counterparties are banks which are, in the opinion of management, reputable.

(c) ***Liquidity risk***

Liquidity risk mainly represents the risk that the Target Group will not be able to meet its financial obligations. Accordingly, the directors of the Target Company are of the view that the liquidity risk exposed to the Target Group is not regarded significant.

The following tables detail the contractual maturities of the Target Group for their non-derivative financial liabilities, which are based on undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of reporting period.

In addition, the following tables detail the contractual maturities of the Target Group for their non-derivative financial assets, which are based on undiscounted cash flows of financial assets based on the earliest date on which the Target Group can be required to pay. The inclusion of information on these non-derivative financial assets is necessary in order to understand the Target Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	On demand	Less than 1 year	Over 1 year	Total undiscounted cash flow	Total carrying amount
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
At 31 March 2015					
Non-derivative assets					
Trade and other receivables	94,000	—	—	94,000	94,000
Amounts due from related companies	70,150	—	—	70,150	70,150
Amounts due from directors	266,326	—	—	266,326	266,326
Bank balances and cash	8,053,747	—	—	8,053,747	8,053,747
	8,484,223	—	—	8,484,223	8,484,223
Non-derivative liabilities					
Trade and other payables	1,263,182	—	—	1,263,182	1,263,182
Amounts due to a director	610,800	—	—	610,800	610,800
Bank borrowings	507,754	—	—	507,754	507,754
	2,381,736	—	—	2,381,736	2,381,736
At 31 March 2016					
Non-derivative assets					
Trade and other receivables	424,240	—	—	424,240	424,240
Amounts due from directors	3,538,477	—	—	3,538,477	3,538,477
Bank balances and cash	5,747,036	—	—	5,747,036	5,747,036
	9,709,753	—	—	9,709,753	9,709,753
Non-derivative liabilities					
Trade and other payables	1,968,611	—	—	1,968,611	1,968,611
Amounts due to related companies	160,000	—	—	160,000	160,000
	2,128,611	—	—	2,128,611	2,128,611
At 31 March 2017					
Non-derivative assets					
Trade and other receivables	1,300,211	—	—	1,300,211	1,300,211
Amounts due from directors	5,523,556	—	—	5,523,556	5,523,556
Bank balances and cash	19,274,151	—	—	19,274,151	19,274,151
	26,097,918	—	—	26,097,918	26,097,918
Non-derivative liabilities					
Trade and other payables	3,291,070	—	—	3,291,070	3,291,070
Amounts due to related companies	160,000	—	—	160,000	160,000
Bank borrowings	3,685,675	—	—	3,685,675	3,685,675
	7,136,745	—	—	7,136,745	7,136,745

	On demand	Less than 1 year	Over 1 year	Total undiscounted cash flow	Total carrying amount
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
At 31 December 2017					
Trade and other receivables	4,046,830	—	—	4,046,830	4,046,830
Amounts due from related companies	41,020	—	—	41,020	41,020
Amounts due from directors	7,358,463	—	—	7,358,463	7,358,463
Amount due from a shareholder	8,426	—	—	8,426	8,426
Bank balances and cash	8,913,890	—	—	8,913,890	8,913,890
	20,368,629	—	—	20,368,629	20,368,629
Non-derivative liabilities					
Trade and other payables	826,070	—	—	826,070	826,070
Amounts due to related companies	160,000	—	—	160,000	160,000
Bank borrowings	2,228,443	—	—	2,228,443	2,228,443
	3,214,513	—	—	3,214,513	3,214,513

(d) *Fair value*

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost at the end of reporting periods approximate their fair values.

31. STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

	As at 31 December 2017
	HK$
Non-current asset	
Investment in a subsidiary	20,000
Current assets	
Amount due from a shareholder	741
Amount due from directors	83,339
	84,080
Net assets	104,080
Capital and reserves	
Share capital	107,640
Reserves *(Note below)*	(3,560)
Total equity	104,080

Note:

Movements in the reserves of the Target Company are as follows:

	Merger reserve	Accumulated loses	Total
	HK$	*HK$*	*HK$*
Shares issue during the period for acquisition of subsidiary	4,400	—	4,400
Loss for the period	—	(7,960)	(7,960)
At 31 December 2017	4,400	(7,960)	(3,560)

32. SUBSIDIARY

Details of the Target Company's subsidiary are as follows:

			Percentage of attributable equity interest held by the Target Company				
			As at 31 March			31 December	
Name of subsidiary	Place and date of establishment	Fully paid-up share capital	2015	2016	2017	2017	Principal activities
Primocasa Interiors Limited	Hong Kong 22 April 2009	HK$20,000	—	—	—	100%	Provision of interior design service and fit-out solutions

The Target Company and its subsidiary adopt 31 March as their financial year end date.

As at the date of this report, no statutory financial statements have been prepared for the Target Company since its incorporation. The financial statements of Primocasa for each of the years ended 31 March 2015 and 2016 have been prepared in accordance with HKFRSs and were audited by Wongs and Tam, a firm of certified public accountants practising in Hong Kong. The financial statements of Primocasa for the year ended 31 March 2017 were audited by Alan Chan & Company, a firm of certified public accountants practising in Hong Kong.

33. ULTIMATE HOLDING COMPANY

The directors consider the Target Company's ultimate holding company to be Climb Up, an entity incorporated in the British Virgin Islands, which is the parent company of the Target Company.

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Target Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Target Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings	Obligations under finance lease	Total
	HK$	*HK$*	*HK$*
As 1 April 2014	133,333	—	133,333
Financing cash inflows	1,000,000	—	1,000,000
Financing cash outflows	(654,533)	—	(654,533)
Interest expenses	28,954	—	28,954
As 31 March 2015	507,754	—	507,754
Financing cash inflows	—	674,512	674,512
Financing cash outflows	(516,801)	(131,531)	(648,332)
Interest expenses	9,047	9,048	18,095
As 31 March 2016	—	552,029	552,029
Financing cash inflows	4,000,000	—	4,000,000
Financing cash outflows	(354,933)	(263,064)	(617,997)
Interest expenses	40,608	12,576	53,184
As 31 March 2017	3,685,675	301,541	3,987,216
Financing cash inflows	—	—	—
Financing cash outflows	(1,597,200)	(197,299)	(1,794,499)
Interest expenses	139,968	4,601	144,569
As 31 December 2017	2,228,443	108,843	2,337,286
Nine months ended 31 December 2016 (unaudited)			
As 1 April 2016	—	552,029	552,029
Financing cash outflows	—	(197,299)	—
Interest expenses	—	10,122	—
As 31 December 2016	—	364,852	552,029

35. MAJOR NON-CASH TRANSACTIONS

During the period ended 31 March 2016, the Target Group acquired property, plant and equipment with an aggregate cost of HK$762,200 and HK$674,512 was financed by finance lease.

36. EVENTS AFTER THE RELEVANT PERIODS

In addition to those disclosed in other notes to the Historical Financial Statements, no significant events took place subsequent to the Relevant Periods.

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company and its subsidiary have been prepared in respect of any period subsequent to 31 December 2017.

PART B. MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

Set out below is the management discussion and analysis on the Target Group for the three years ended 31 March 2015, 2016, 2017 and the nine months ended 31 December 2017.

Business review

The Target Group is principally engaged in the provision of interior design and fit-out solutions.

Financial performance

For the three years ended 31 March 2015, 2016, 2017 and the nine months ended 31 December 2017, the revenue generated by the Target Group was approximately HK$25,316,279, HK$38,358,155, HK$49,170,432 and HK$33,601,121 respectively. The Target Group's revenue increased from approximately HK$25.3 million for the year ended 31 March 2015 to approximately HK$38.4 million for the year ended 31 March 2016, which represented a growth of approximately 51.5%. The increase was mainly attributable to revenue contribution from 7 residential projects with individual revenue of over HK$3 million for the year ended 31 March 2016. The revenue further increased to approximately HK$49.2 million for the year ended 31 March 2017, which represented a growth of approximately 28.2%. The increase was mainly attributable to revenue contribution from a luxury residential project with individual revenue of over HK$10 million for the year ended 31 March 2017 whereas there was no such luxury residential project with individual revenue of over HK$10 million for the year ended 31 March 2016. Some of the projects for the year ended 31 March 2017 were not completed and contributed revenue for the nine months ended 31 December 2017.

For the three years ended 31 March 2015, 2016, 2017 and the nine months ended 31 December 2017, the Target Group recorded cost of sales of approximately HK$17,857,579, HK$24,708,576, HK$28,097,246 and HK$25,872,830 respectively and other operating and administrative expenses of approximately HK$5,491,116, HK$5,626,743, HK$5,855,966 and HK$11,760,334 respectively, mainly being the staff salary, office expenses and other general administration expenses.

Liquidity, financial resources and capital structure

The Target Group's total assets mainly includes property, plant and equipment, trade and other receivables, amount due from customers for contract work, amount due from directors and cash and cash equivalents. The increase in property, plant and equipment from 31 March 2015 to 31 March 2016 was mainly due to the acquisition of new motor vehicles at cost of approximately HK$2.0 million, offset by their depreciation charges for the year of HK$0.6 million.

The trade receivables increased from approximately HK$0.4 million as at 31 March 2016 to approximately HK$1.3 million as at 31 March 2017 and approximately HK$3.3 million as at 31 December 2017. The increase was mainly due to concentration of progress invoices issued to customers near the year ended 31 March 2017 and 31 December 2017, of which approximately 50% of the trade receivables balance as at 31 March 2017 were related to two office projects and approximately 95% of the trade receivables balance as at 31 December 2017 was related to a residential project.

The deposits and prepayments as at 31 March 2015 mainly represented the prepayments for subcontracting costs for several projects, whereas the deposits and prepayments as at 31 March 2017 mainly represented the prepaid audit fee and the prepayment for subcontracting and material costs for a project.

According to the accounting policies, the Target Group presented the balance as an asset when the gross amounts due from customers for contract works for all projects in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings to customers. The Target Group presented the balance as a liability when the gross amounts due to customers for contract works for all projects in progress for which progress billings to customers exceed costs incurred plus recognised profits (less recognised losses). The year-over-year fluctuations were mainly due to the difference between the invoice amounts billed based on the billing schedule and revenue recognised based on actual percentage of completion.

The amount due from directors increased from HK$0.3 million as at 31 March 2015 to HK$7.4 million as at 31 December 2017, mainly attributable to the amount due from Mr. Wong to the Target Company which consists of cash withdrawal by Mr. Wong and disbursements paid by the Company for Mr. Wong's personal expenses, including but not limited to trip expenses. Such amount will be offset by the payment of dividend by the Target Company to Mr. Wong.

The year-over-year fluctuations of trade and other payables were mainly driven by the payables and accruals of the subcontracting and material costs for various projects.

The bank borrowing as at 31 March 2015 was fully repaid in September 2015. Subsequently, the Target Group drew down a new bank loan for general working capital purpose of HK$4 million in January 2017 with monthly repayment of approximately HK$0.2 million.

As at 31 March 2015, 2016, 2017 and 31 December 2017, the Target Group recorded a total asset of HK$10,654,970, HK$13,709,242, HK$29,446,842 and HK$21,757,255 respectively, of which cash and cash equivalents takes a significant portion. The increase of total assets mainly represents the increase in cash and cash equivalents which is generated from operation driven by additional revenue.

The Target Group was mainly financed by capital from shareholders and bank loans. As at 31 March 2015, 2016, 2017 and 31 December 2017, the gearing ratio of the Target Group, being the total liabilities divided by the total equity, was 4.22, 0.70, 0.48 and 0.39 respectively. The loans are used for general working capital of the Target Group.

Treasury policy and hedging arrangement

For the three years ended 31 March 2015, 2016, 2017 and the nine months ended 31 December 2017, the Target Group did not have any treasury policy or hedging arrangement.

Significant investment

As at 31 March 2015, 2016, 2017 and 31 December 2017, the Target Group did not have any significant investment.

Segment information

For the three years ended 31 March 2015, 2016, 2017 and the nine months ended 31 December 2017, the Target Group operated in only one business segment which is the provision of interior design and fit-out solutions.

Charge of assets

As at 31 March 2015, 2016, 2017 and 31 December 2017, none of the assets of the Target Group has been charged.

Material acquisitions and disposals

For the three years ended 31 March 2015, 2016, 2017 and the nine months ended 31 December 2017, the Target Group did not enter into any material transaction to acquire or dispose of its assets.

Contingent liability

As at 31 March 2015, 2016, 2017 and 31 December 2017, the Target Group did not have any contingent liability.

Capital commitment

As at 31 March 2015, the Target Group did not have any capital commitment. As at 31 March 2016, 2017 and 31 December 2017, capital commitment contracted but not provided for acquisition of property, plant and equipment amounted to approximately HK$552,029, HK$301,541 and HK$108,843, respectively.

Exposure on foreign currency fluctuation

For the three years ended 31 March 2015, 2016, 2017 and the nine months ended 31 December 2017, the Target Group only conducted business in Hong Kong and had no currency exposure.

Employee

As at 31 March 2015, 2016, 2017 and 31 December 2017, the Target Group had 24, 21, 27 and 24 employees respectively.

Future plan

The Target Company is now focusing on the provision of interior design and fit-out solutions as at this stage. It may continuously research and expand into different segments in the future.

Dividend

During the year ended 31 March 2015, 2016 and 2017, the Target Group declared and paid dividends of HK$1,680,000, HK$1,272,000 and HK$977,000.

A. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Financial Information") which has been prepared in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of illustrating the effect of the proposed acquisition of 49% of the entire issued share capital of Primo Group (BVI) Limited ("Target Company") ("Acquisition") as if the Acquisition had been completed on 31 December 2017.

The Unaudited Pro Forma Financial Information is prepared based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2017 which has been extracted from the published annual report of the Company for the year ended 31 December 2017 dated 23 March 2018; and (ii) the audited consolidated statement of financial position of the Target Company as at 31 December 2017 as extracted from the accountants' report as set out in the Appendix II to this Circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable; and (ii) factually supportable as if the Acquisition had been undertaken as at 31 December 2017.

The Unaudited Pro Forma Financial Information has been prepared by the Directors based on a number of assumptions, estimates and uncertainties for illustrative purposes only and because of its nature, it may not give a true picture of the assets and liabilities of the Enlarged Group. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the assets and liabilities of the Enlarged Group that would have been attained had the Acquisition been completed as at 31 December 2017, nor purport to predict the future financial position of the Enlarged Group.

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group as at 31 December 2017

	The Group as at 31 December 2017 *HK$* (audited) *(Note 1)*	Pro forma adjustments *HK$* *(Note 2)*	Unaudited pro forma of the Enlarged Group *HK$*
Non-current assets			
Property, plant and equipment	4,285,185		4,285,185
Intangible asset	2,436,155		2,436,155
Investment in an associate	—	78,335,000	78,335,000
Available-for-sale financial assets	1,874,668		1,874,668
Amount due from a related company	1,450,000		1,450,000
Rental deposits	482,355		482,355
	10,528,363		88,863,363
Current assets			
Trade and other receivables	29,994,839		29,994,839
Financial assets of fair value through profit or loss	9,680,268		9,680,268
Amounts due from customers for contract work	20,862,221		20,862,221
Amount due from a related company	10,070		10,070
Cash and bank balances	57,948,703		57,948,703
	118,496,101		118,496,101
Current liabilities			
Trade and other payables	36,606,631		36,606,631
Amounts due to customers for contract work	3,899,216		3,899,216
Deferred income tax liabilities	58,068		58,068
Current income tax liabilities	69,930		69,930
	40,633,845		40,633,845
Non-current liability			
Promissory note payable	—	57,405,000	57,405,000
Net assets	88,390,619		109,320,619

C. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. The consolidated assets and liabilities of the Group as at 31 December 2017 are extracted from the Group's audited consolidated statement of financial position at 31 December 2017 set out in the published annual report of the Company for the year ended 31 December 2017.

2. On 15 December 2017, Sunny Stage Limited, a wholly-owned subsidiary of the Company (the "Purchaser") entered into the Acquisition Agreement with Climb Up Limited (the "Vendor") to acquire 49% entire issued share capital of the Target Company for a consideration of HK$75,000,000. Pursuant to the Acquisition Agreement, the consideration will be satisfied by: (i) the allotment and issue of 115,000,000 shares of the Company (the "Consideration Shares") at the issue price of HK$0.153 per Consideration Share, amounted to HK$17,595,000 and (ii) issue of the Promissory Notes in the principal amount of HK$57,405,000 to be issued by the Company.

   Upon completion of the Acquisition, the Target Company will be classified an associate of the Group.

   Investment in the Target Company represents the consideration payable by the Group for the Acquisition and is calculated as follows:

		HK$
Fair value of:		
Consideration Shares *(Note i)*	(a)	20,930,000
Promissory Note *(Note ii)*	(b)	57,405,000
Investment in the Target Company		78,335,000

Notes:

(i) For the purpose of the Unaudited Pro Forma Financial Information, the fair value of 115,000,000 Consideration Shares is calculated based on the closing price of HK$0.182 per share of the Company as quoted on the Stock Exchange on 29 December 2017, the last trading date of the year ended 31 December 2017.

(ii) The fair value of the Promissory Note at 31 December 2017 is estimated by the Directors to be approximately the principal amount of the Note for the purpose of the Unaudited Pro Forma Financial Information.

(iii) The fair value of the Consideration Shares and the Promissory Note at the date of completion of the Acquisition will have to be determined by the Directors and the respective fair value, and the investment in the Target Company may be different from the estimated amounts presented above.

(iv) For the purpose of the Unaudited Pro Forma Financial Information, the Directors have performed impairment assessment of investment in the Target Company in accordance with the Hong Kong Accounting Standard 36 "Impairment of Assets" ("HKAS 36"), which defines recoverable amount to be the higher of value in use and fair value less costs of disposal.

Based on the valuation report set out in Appendix IV to this circular, the fair value of the Sale Shares, being 49% of the valuation of the Target Group, is estimated to be approximately HK$88,772,810 which is not less than its cost of investment for the purpose of the unaudited Pro Forma Financial Information. Based on this assessment, the Directors concluded that impairment of investment in the Target Company is not required to be made in the preparation of the Unaudited Pro Forma Financial Information.

The Directors confirmed that they will assess impairment of the investment in the Target Company in subsequent reporting periods in accordance with the requirements of HKAS 36 and will disclose in the Group's annual report the basis and assumptions adopted for the impairment assessment in accordance with HKAS 36.

3. Other than the above adjustments, no adjustments had been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2017. Unless stated otherwise, the adjustments above are not expected to have a continuing effect on the Group.

The following is the text of a report received from the Company's reporting accountants, CCTH CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

CCTH CPA LIMITED
中正天恒會計師有限公司

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of AL Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of AL Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2017 and related notes as set out on pages 66 to 69 of Appendix III of the circular issued by the Company dated 25 May 2018 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages 66 in Appendix III of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Group's proposed acquisition of 49% of the issued share capital of Primo Group (BVI) Limited (the "Acquisition") on the Group's financial position as at 31 December 2017 as if the Acquisition had taken place at 31 December 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's audited consolidated statement of financial position at 31 December 2017 set out in the Company's published annual report for the year ended 31 December 2017.

Directors' Responsibilities for the Unaudited Pro forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of The Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the Listing Rules with reference to AG 7 issued by the HKICPA.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

— the related pro forma adjustments give appropriate effect to those criteria; and

— the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

CCTH CPA Limited
Certified Public Accountants
Hong Kong

Leung Kam Wan
Practising Certificate Number P02512

25 May 2018

Unit 5–6, 7/F., Greenfield Tower, Concordia Plaza,
1 Science Museum Road, Tsim Sha Tsui,
Kowloon, Hong Kong

The following is the text of a valuation report, prepared by the purpose of incorporation in this circular, received from B.I. Appraisals Limited, an independent valuer, in connection with their valuation as at 30 September 2017 of Primocasa.

B.I.
To Know Your Strength Better

B.I. Appraisals Limited
保柏國際評估有限公司
Registered Professional Surveyors, Valuers & Property Consultants

22nd Floor, China Overseas Building
No. 139 Hennessy Road, Wanchai, Hong Kong
Tel: (852) 2127 7762 Fax: (852) 2137 9876
Email: info@biappraisals.com
Website: www.biappraisals.com

25 May 2018

The Directors
AL Group Limited
Unit A, 35/F., EGL Tower
83 Hung To Road
Kwun Tong, Kowloon
Hong Kong

Dear Sirs,

Re: Valuation of 100% Equity Interest in Primocasa Interiors Limited

We refer to recent instructions from AL Group Limited (hereinafter referred to as the "**Company**") to us to conduct a business valuation on 100% equity interest in Primocasa Interiors Limited (hereinafter referred to as the "**Business Enterprise**"), we are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing our valuation as at 30 September 2017 (hereinafter referred to as the "**Date of Valuation**").

This report states the purpose of valuation, scope of work, an overview of the Business Enterprise, basis of valuation, valuation methodology, major assumptions, information reviewed, limiting conditions, remarks and presents our opinion of value.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company for public documentation purpose only. This report is not to be used for any purpose other than that mentioned above, including issue to third parties, without our prior approval of use, form, context in which it is released.

B.I. Appraisals Limited (hereinafter referred to as "**B.I. Appraisals**") assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and information provided by the management of the Company, the management of the Business Enterprise and/or their representative(s) (hereinafter referred to as the "**Management**").

In preparing this report, we have had discussions with the Management in relation to the development, operations and other relevant information of the Business Enterprise. As part of our analysis, we have reviewed such information and other pertinent data concerning the Business Enterprise provided to us by the Management and have considered such information and data as accurate and reasonable.

We have no reason to believe that any material facts had been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or a more extensive examination might disclose.

3. THE BUSINESS ENTERPRISE

The Business Enterprise is a limited liability company incorporated in Hong Kong. The Business Enterprise is principally engaged in interior design and trading of construction materials businesses.

4. BASIS OF VALUATION

Our valuation is conducted on a market value basis. According to the International Valuation Standards established by the International Valuation Standards Council in 2017, market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

5. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market value of the Business Enterprise, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

5.1 Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities that have been sold recently.

The right transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

5.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits. Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

5.3 Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital ("**equity and long term debt**"). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity ("**equity**") and investors who lend money to the business entity ("**debt**"). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, their sum equals the value of the business entity.

5.4 Business Valuation

In the process of valuing the Business Enterprise, we have taken into account of the operation and financial information of the Business Enterprise and conducted discussions with the Management to understand the status and prospect of the Business Enterprise and the industry it is participating. Also, we have considered the accessibility to available data in choosing among the valuation approaches.

The Income-Based Approach was not adopted because a lot of assumptions would have to be made and the valuation could be largely influenced by any inappropriate assumptions made. The Asset-Based Approach was also not adopted because it could not capture the future earning potential of the Business Enterprise and therefore it could not reflect the market value of the Business Enterprise. We have therefore considered the adoption of the Market-Based Approach in arriving at the market value of the Business Enterprise.

By adopting the Market-Based Approach, we have to determine the appropriate valuation multiples of comparable companies, in which we have considered price-to-sales, price-to-earnings and price-to-book multiples. The operation of the Business Enterprise and similar companies do not heavily depend on their assets hence the price-to-book multiples were not adopted. The price-to-sales multiples were not adopted because they could not fully capture the cost structure of the Business Enterprise. Therefore, we have adopted the price-to-earnings ("**P/E**") multiple as we considered it as the most appropriate multiple in calculating the market value of the Business Enterprise.

We adopted several listed companies with similar business nature and operations similar to those of the Business Enterprise as comparable companies. The comparable companies were selected mainly with reference to the following selection criteria:

- The companies are principally engaged in interior design business;
- The companies have major operating segment in Hong Kong;
- The companies have sufficient listing and operating histories; and
- The financial information of the companies is available to the public.

Since the financial information of private companies are not readily available to the public, listed companies were adopted as comparable companies despite the fact that the Business Enterprise is a private company.

Based on the above selection criteria and under the best-effort basis, three comparable companies were selected and adopted. Details of the exhaustive list of the comparable companies adopted are as follows:

Company Name	Stock Code	Listing Location	Business Description
Sundart Holdings Limited	1568.HK	Hong Kong	Sundart Holdings Limited is an integrated fitting-out contractor. The company provides general building contracting, interior decoration, repair, maintenance and alteration, and others. The company serves customers in Hong Kong and Macau.
Royal China International Holdings Limited	1683.HK	Hong Kong	Royal China International Holdings Limited operates as a holding company. The company, through its subsidiaries, provides interior design solutions, including design, fit out, and decoration. The company offers project management services in Hong Kong.

Company Name	Stock Code	Listing Location	Business Description
K W Nelson Interior Architect Group Limited	8411.HK	Hong Kong	K W Nelson Interior Architect Group Limited operates as an interior decorator. The company focuses on providing interior designs and coordinating interior decoration projects for commercial premises including office and retail space. The company serves customers in Hong Kong.

Source: Bloomberg

The P/E multiples of the aforementioned comparable companies were listed as follows:

Company Name	Stock Code	P/E Multiple
Sundart Holdings Limited	1568.HK	23.40
Royal China International Holdings Limited	1683.HK	26.46
K W Nelson Interior Architect Group Limited	8411.HK	24.33
	Median:	**24.33**

The P/E multiple adopted was the median of the P/E multiples of the above comparable companies as at the Date of Valuation as extracted from Bloomberg. Then we obtained the estimated market value of the Business Enterprise as at 30 September 2017 by applying the median P/E multiple to the unaudited net profit of HK$6,767,977 of the Business Enterprise in the period from 1 October 2016 to 30 September 2017. The unaudited net profit used in arriving at the market value of the Business Enterprise was calculated with reference to the management account for the year ended 31 March 2017 and the management account for the nine months ended 31 December 2017. According to the Management, a non-recurring legal & professional expense of HK$5,091,716 was incurred in the period from 1 April 2017 to 31 December 2017. The expense was first excluded in the net profit for the nine months ended 31 December 2017. The market value of the Business Enterprise was then arrived by adjusting with the control premium, marketability discount, the non-recurring legal & professional expense of HK$5,078,846 incurred in the period from 1 April 2017 to 30 September 2017 and adding its non-operating assets/liabilities.

5.5 Marketability Discount and Control Premium

The marketability discount was the percentage difference between the private placement price per share and the market trading price per share. Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. We have made reference to the result of the restricted stock study (the "**Research**") published in "Stout Restricted Stock Study 2017" in August 2017 by Stout Risius Ross, LLC, one of the national preeminent firms offering a broad range of financial advisory services to private and public companies. According to the Research, a total of 784 private placement transactions of unregistered common stock issued by publicly traded companies from July 1980 through October 2016 were examined. With reference to the Research, we have adopted the median marketability discount for the 784 transactions of 14.80% in arriving at the market value of the Business Enterprise as at the Date of Valuation. The median marketability discount was adopted to minimize effect of extreme data. This median figure was concluded in the Research and we have not adjusted nor selected the data.

In addition, as we are considering the market value of the Business Enterprise from the perspective of controlling interest, the median control premium for international transaction of 28.60% has been adopted to reflect the higher marketability of a controlling interest compared to a minority interest with reference to the Mergerstat Control Premium Study (1st Quarter 2017) (the "**Study**") published in the first quarter of 2017 by FactSet Mergerstat, LLC., an independent information provider for merger and acquisition transaction data. The median control premium was adopted to minimize effect of extreme data. The Study examined 134 transactions (comprising 49 U.S. transactions and 85 international transactions) whereby 50.01% or more of a company was acquired for the 1st quarter of 2017. The control premium was the percentage difference between the purchase price per share and the market trading price per share unaffected by the acquisition announcement.

6. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in this valuation and they are:

- The unaudited management accounts of the Business Enterprise as at 31 May 2017 can reasonably represent its financial position as at the Date of Valuation since an audited financial account was not available;

- The unaudited net profit used in arriving at the market value of the Business Enterprise was calculated with reference to the management account for the year ended 31 March 2017 and the management account for the nine months ended 31 December 2017;

- According to the Management, non-recurring legal & professional expenses of HKD5,078,846 and HKD5,091,716 were incurred in the period from 1 April 2017 to 30 September 2017 and 1 April 2017 to 31 December 2017 respectively. The expense for the period from 1 April 2017 to 31 December 2017 was first excluded in the net profit for the nine months ended 31 December 2017, and the expense for the period from 1 April 2017 to 30 September 2017 was included after adjusting the market value of the Business Enterprise with the control premium;

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Business Enterprise operates or intends to operate has or would be officially obtained and renewable upon expiry;

- There will be sufficient supply of technical staff in the industry in which the Business Enterprise operates, and the Business Enterprise will retain competent management, key personnel and technical staff to support its ongoing operations and developments;

- There will be no major change in the current taxation laws in the localities in which the Business Enterprise operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Business Enterprise operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Business Enterprise; and

- Interest rates and exchange rates in the localities for the operation of the Business Enterprise will not differ materially from those presently prevailing.

7. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the market value of the Business Enterprise. The factors considered included, but not limited to, the followings:

- Unaudited management accounts and financial statements of the Business Enterprise; and

- General descriptions in relation to the Business Enterprise.

We have assumed the accuracy of information provided by the Management and relied heavily on such information to conclude our opinion of value.

8. LIMITING CONDITIONS

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on information provided by the Management to a considerable extent in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We have not investigated the title to or any legal liabilities of the Business Enterprise. We have assumed no responsibility for the title to the Business Enterprise valued. We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk. The title of this report shall not pass to the Company until all professional fees have been paid in full.

9. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Hong Kong Dollars (HKD).

We hereby confirm that we have neither present nor prospective interests in the Business Enterprise, the Company, their associated companies or the values reported herein.

10. OPINION OF VALUE

Based on the investigation and analysis stated above, the valuation method employed and key assumptions appended above, the market value of the 100% equity interest in the Business Enterprise as at the Date of Valuation, in our opinion, was reasonably stated as **HKD181,169,000 (HONG KONG DOLLARS ONE HUNDRED EIGHTY ONE MILLION ONE HUNDRED AND SIXTY NINE THOUSAND ONLY).**

Yours faithfully,
For and on behalf of
B.I. Appraisals Limited

William C.K. Sham
Registered Professional Surveyor (G.P.)
Registered Business Valuer
China Real Estate Appraisers
MRICS, MHKIS, RPS (G.P.), MCIREA
Executive Director

1. RESPONSIBILITY STATEMENT

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

2. DIRECTORS' AND CHIEF EXECUTIVES' INTEREST

As at the Latest Practicable Date, the interests of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of 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 Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Listing Rules were as follows:

(i) Interests in the Company

Name of Director	Corporate interests	Total interests in ordinary Shares	Aggregate interests	Approximate % of the Company's issued voting shares
Yau Chung Ping *(Note)*	144,004,000	144,004,000	144,004,000	30%

Note: The 144,004,000 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 144,004,000 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.

(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
Yau Chung Ping	Legend Investments International Limited	Interest in controlled corporation	80	80%
Wong Kang Man	Ace Architectural and Interior Design Limited	Interest in controlled corporation	3,500	35%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the paragraph headed "Directors' and Chief Executives' Interest" above, the following shareholders had notified the Company of its relevant interests in the issued share capital of the Company.

Name of Shareholders	Capacity	Number of Shares	Approximate % of the Company's issued voting shares
Legend Investments International Limited	Beneficial owner	144,004,000	30%
Yau Chung Ping	Interest in controlled corporation	144,004,000	30%

Save as disclosed above, the Company has not been notified of any other relevant interests of short positions in the issued share capital of the Company as at the Latest Practicable Date.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contracts with the Company or any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)).

5. INTERESTS OF COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, VBG Capital Limited (the "**Compliance Adviser**"), as at the Latest Practicable Date, save for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 11 March 2016, neither the Compliance Adviser nor any of its close associates and none of the directors or employees of the Compliance Adviser had any interest in the share capital of the Company or any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors, Controlling Shareholders or their respective associates, and none of the Compliance Adviser and each of its directors, employees and close associates was interested in any business which competes of is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the GEM Listing Rules, save for the following:

Mr. Wong Kang Man, an executive Director of the Company, is a director of Ace Architectural and Interior Design Limited ("**ACE**"), which is a non wholly-owned subsidiary of the Group and ACE is principally engaged in same interior design business in Hong Kong. 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 as at the Latest Practicable Date.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration or claim which is in the opinion of the Directors of material importance and no litigation or claim which is in the opinion of the Directors of material importance to be pending or threatened by or against any member of the Group.

8. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which was subsisting and was significant in relation to the business of the Group.

None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of by or leased to any member of the Group since 31 December 2017, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

9. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualification
CCTH CPA Limited	Certified Public Accountants
B.I. Appraisals Limited	Independent valuer

Each of the above experts has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, advice, opinion and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group.

As at the Latest Practicable Date, each of above experts did not have any interest, either directly or indirectly, in any assets which have been since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

10. MATERIAL CONTRACTS

The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and up to the Latest Practicable Date and are or may be material:

(a) the Acquisition Agreement dated 15 December 2017 entered into by the Purchaser and the Vendor for the proposed acquisition of 49% of the entire issued share capital of the Target Company at the consideration of HK$75,000,000, which shall be settled by the Company issuing to the Vendor the Consideration Shares and Promissory Note;

(b) the sale and purchase agreement dated 10 June 2016 entered into among AL Group International, Mr. Yau, Ms. Sz and our Company pursuant to which 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;

(c) the sale and purchase agreement dated 15 June 2016 entered into among AL Group International, Mr. Yau, Ms. Sz and our Company pursuant to which 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 Deed of Indemnity dated 15 June 2016 and executed by the Controlling Shareholders in favour of the Company (for itself and as trustee for its subsidiaries), containing the indemnities in relation to, among other things, the tax liabilities;

(e) the Deed of Non-Competition dated 15 June 2016 and executed by the Controlling Shareholders in favour of the Company (for itself and as trustee for its subsidiaries) regarding certain non-competition undertakings; and

(f) the Public Offer Underwriting Agreement dated 28 June 2016 and entered into by the Company, the executive Directors, the Controlling Shareholders, VBG Capital Limited and Pacific Foundation Securities Limited in relation to the public offer of the Company.

11. GENERAL

(a) The company secretary of the Company is Mr. Mok Tsz Chiu Peter. Mr. Mok Tsz Chiu Peter is a member of the Hong Kong Institute of Certified Public Accountants.

(b) The compliance officer of the Company is Mr. Yau Chung Ping, who is the executive Director and has been a professional member of the Hong Kong Interior Design Association since 2004.

(c) The registered office of the Company is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(d) The head office and principal place of business of the Company in Hong Kong is at Unit A, 35/F, EGL Tower, 83 Hung To Road, Kwun Tong, Hong Kong.

(e) The share registrar of the Company is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(f) The Company's audit committee (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. Tse Chi Shing, Mr. Kloeden Daniel Dieter and Mr. Tse Wai Hei. Mr. Tse Chi Shing is the chairman of the Audit Committee. The main role and functions of the Audit Committee include, but not limited to, monitoring the integrity of the Company's financial statements, reviewing the Company's financial controls, internal control and risk management systems, reviewing the Group's financial and accounting policies and practices. A summary of the biography of the members of the Audit Committee are set out below:

(i) Mr. Tse Chi Shing obtained 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. He possesses over 10 years of experience in accounting and auditing. He has been the Chief Financial Officer and Company Secretary of KOALA Financial Group Limited (formerly known as Sunrise (China) Technology Group Limited) ("**KOALA**"), a company listed on GEM (stock code: 8226). Prior to joining KOALA, Mr. Tse Chi Shing was with the audit firms of Mazars CPA Limited, HLB Hodgson Impey Cheng, and Choy Ng and Co. CPA.

(ii) Mr. Kloeden Daniel Dieter ("**Mr. Kloeden**") obtained a bachelor degree in Business from the University of Cooperative Education, Plauen, Germany in 2002 and a master degree in International Business from the Macquarie University, Sydney, Australia in 2006. Mr. Kloeden has more than 15 years of corporate management and strategic management consultancy experience serving multinational focused SME's and Fortune 500 companies within the Automotive, Financial Services and FMCG industry. He specializes in solving Strategic Corporate Development, Sales and Marketing projects on a local, regional and global scale involving multi layers of stakeholder environment. Mr. Kloeden currently serves as the President of Bancka Limited, a FinTech start-up focusing on global seamless FX payment solutions.

(iii) Mr. Tse Wai Hei has 29 years of experience specializing in mechanical engineering, publishing and printing services. Since 2008, he has worked in Komori Hong Kong Limited, a Japanese-based corporation principally engaged in manufacturing printing machines. He is currently a manager of the technical service department.

(g) The English text of this circular shall prevail over its respective Chinese text for the purpose of interpretation.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Unit A, 35/F, EGL Tower, 83 Hung To Road, Kwun Tong, Hong Kong during normal business hours on any Business Day from the date of this circular up to and including the date of the EGM:

(a) this circular;

(b) the memorandum of association and articles of association of the Company;

(c) the Prospectus (which contains the consolidated audited financial statements of the Company for the year ended 31 December 2015);

(d) the annual report of the Company for the year ended 31 December 2016;

(e) the annual report of the Company for the year ended 31 December 2017;

(f) the accountants' report of the Target Group prepared by CCTH CPA Limited;

(g) the accountants' report prepared by CCTH CPA Limited in respect of the unaudited pro forma financial information of the Enlarged Group;

(h) the valuation report of Primocasa;

(i) the Cooperation Agreement;

(j) the material contracts referred to in the section headed "Material Contracts" in this appendix; and

(k) the written consents of the experts as referred to in the section headed "Qualifications and Consents of Experts" in this appendix.

AL Group

AL GROUP LIMITED

利駿集團(香港)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8360)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of AL Group Limited (the "**Company**") will be held at Unit A, 35/F, EGL Tower, 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong on 12 June 2018 at 11:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

   (a) the Acquisition Agreement (as defined in the circular dated 25 May 2018 despatched to the shareholders of the Company), a copy of which has been produced to this meeting and signed by the chairman hereof marked "A" for the purpose of identification, and all transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

   (b) subject to the fulfillment of the conditions in the Acquisition Agreement and conditional upon the Listing Committee of the Stock Exchange approving the listing of, and granting permission to deal in the Consideration Shares, the Directors be and are hereby granted the Specific Mandate to allot, issue, credited as fully paid, the Consideration Shares to the Vendor pursuant to the Acquisition Agreement, provided that the Specific Mandate shall be in addition to and shall not prejudice nor revoke such other general or specific mandate(s) which may from time to time be granted to the Directors prior to or after the passing of this resolution; and

(c) any one director or, if the affixation of the common seal of the Company is necessary, any one Director and the company secretary of the Company or any two Directors or such other person (including a director) or persons as the Board may appoint be and is/are hereby authorised for and on behalf of the Company to approve and execute all documents, instruments and agreements and to do such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in or related to the Acquisition Agreement and transactions contemplated thereunder or incidental thereto and completion thereof as he/she/they may consider necessary, desirable or expedient."

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

25 May 2018

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Unit A, 35/F
EGL Tower
83 Hung To Road
Kwun Tong, Hong Kong

Notes:

1. A shareholder entitled to attend and vote at the EGM or any adjourned meeting is entitled to appoint a person or persons as his proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a shareholder of the Company.

2. To be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power of attorney or authority, must be deposited at 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, not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting, and in default thereof the form of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiry of 12 months from the date of its execution.

3. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting, and in such event the instrument appointing a proxy shall be deemed to be revoked.

As at the date of this notice, the Board comprises the following Directors:

Executive Directors:
Mr. Yau Chung Ping
Mr. Lam Chung Ho, Alastair
Mr. Wong Kang Man

Independent non-executive Directors:
Mr. Tse Chi Shing
Mr. Kloeden Daniel Dieter
Mr. Tse Wai Hei

This notice, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this notice 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 notice misleading.

This notice will remain on the page of "Latest Company Announcement" on the GEM website for at least 7 days from the date of its postings and on the website of the Company at www.AL-Grp.com.