

AL GROUP LIMITED

利駿集團(香港)有限公司

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

Stock Code 股份代號：8360



AL Group

THIRD QUARTERLY REPORT
第三季度報告

2016

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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





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Management Discussion and Analysis

Business Review

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

Excluding projects relating to maintenance and aftersales service, during the three months ended 30 September 2016, the number of on-going and completed projects has increased by 90.0% and the corresponding revenue has increased by 27.9% over the corresponding period in 2015. During the nine months ended 30 September 2016, the number of on-going and completed projects (excluding those relating to maintenance and aftersales service) has decreased by 15.0% but the corresponding revenue has increased by 11.1% over the corresponding period in 2015. The tables below summarized the number of on-going and completed projects and revenue, by type of service and customer, during the three months and nine months ended 30 September 2016 respectively:

In terms of number of Projects*

	Three months ended 30 September		
	2016	2015	% change
Design and fit out/Design only			
Office	15	7	114.3%
Commercial	1	3	(66.7%)
Residential	3	—	N/A
Total	19	10	90.0%

Management Discussion and Analysis (Continued)

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AL GROUP LIMITED THIRD QUARTERLY REPORT 2016

Nine months ended 30 September

	2016	2015	% change
Design and fit out/Design only			
Office	27	31	(12.9%)
Commercial	2	4	(50.0%)
Residential	5	5	—
Total	34	40	(15.0%)

In terms of Revenue*

Three months ended 30 September

In HK\$' million	2016	2015	% change
Design and fit out/Design only			
Office	28.0	13.9	101.4%
Commercial	3.3	12.2	(73.0%)
Residential	2.2	0.1	2,100.0%
Total	33.5	26.2	27.9%

Nine months ended 30 September

In HK\$' million	2016	2015	% change
Design and fit out/Design only			
Office	53.5	40.0	33.8%
Commercial	7.5	16.8	(55.4%)
Residential	6.8	4.2	61.9%
Total	67.8	61.0	11.1%

* excluding those relating to maintenance and aftersales service

Management Discussion and Analysis (Continued)

Excluding projects relating to maintenance and aftersales service, during the three months ended 30 September 2016, the total revenue increased by approximately 27.9% and the number of projects increased by 90.0% over the corresponding period in 2015, which resulted in a decreased average revenue per project by approximately 30.8% to approximately HK\$1.8 million over the corresponding period in 2015. The decrease in average revenue per project for three months ended 30 September 2016 was mainly attributable to the completion of one project with contract sum of approximately HK\$15 million during the three months ended 30 September 2015, which significantly increased the average revenue per project.

When comparing to the nine months ended 30 September 2016, the total revenue increased by approximately 11.1%, the number of projects decreased by approximately 15.0% but the average revenue per project increased by approximately 33.3% to approximately HK\$2.0 million over the corresponding period in 2015. The increase in average revenue per project for the nine months ended 30 September 2016 was mainly attributable to the fact that more relatively larger projects (with project revenue of HK\$3 million or more) were completed or on-going in 2016 when compared to 2015.

Average Revenue per Project*

In HK\$' million	Three months ended 30 September		
	2016	2015	% change
Revenue	33.5	26.2	27.9%
Number of projects	19	10	90.0%
Average revenue per project	1.8	2.6	(30.8%)

Management Discussion and Analysis (Continued)

In HK\$' million	Nine months ended 30 September		
	2016	2015	% change
Revenue	67.8	61.0	11.1%
Number of projects	34	40	(15.0%)
Average revenue per project	2.0	1.5	33.3%

* excluding those relating to maintenance and aftersales service

The Group continues to be awarded projects in 2016 by existing and new customers who valued the Group's reputation, proven track record and experience in the industry. The Group has a number of projects in the pipeline that were built up since 2015 and 2016 which will come online and contribute to the total revenue in the last quarter of 2016 and beyond.

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

Financial Review

In HK\$' million	Three months ended 30 September		
	2016	2015	% change
Revenue	34.5	27.5	25.5%
Gross Profit ^(Note 1)	15.0	10.0	50.0%
Gross Profit Margin (%)	43.5%	36.4%	19.5%
EBITDA ^(Note 2) before listing expenses (2015: nil)	10.3	7.6	35.5%
Net Profit before listing expenses	8.5	6.3	34.9%
Net Profit after listing expenses	8.5	6.3	34.9%

Management Discussion and Analysis (Continued)

In HK\$' million	Nine months ended 30 September		
	2016	2015	% change
Revenue	69.6	64.3	8.2%
Gross Profit ^(Note 1)	22.2	19.8	12.1%
Gross Profit Margin (%)	31.9%	30.8%	3.6%
EBITDA ^(Note 2) before listing expenses (2015: nil)	10.0	13.0	(23.1%)
Net Profit before listing expenses	8.0	10.8	(25.9%)
Net (loss)/profit after listing expenses	(5.2)	10.8	N/A

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

Note 2: The Group's EBITDA represents earnings before income tax and depreciation of property, plant and equipment. While EBITDA is commonly used in the interior design industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with Hong Kong Financial Reporting Standards and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly-titled measures of other companies.

For the nine months ended 30 September 2016, the Group experienced growth in both revenue and gross profit over the corresponding period in 2015. The Group's revenue amounted to approximately HK\$69.6 million, representing an increase of approximately 8.2% over the corresponding period in 2015.

For the three months ended 30 September 2016, the Group experienced double-digit growth in both revenue and gross profit over the corresponding period in 2015. The Group's revenue amounted to approximately HK\$34.5 million, representing an increase of approximately 25.5% over the corresponding period in 2015. Such significant growth was in line with the double-digit growth in number of on-going and completed projects during the three months ended 30 September 2016 over the corresponding period in 2015.

Management Discussion and Analysis (Continued)

The Group's gross profit for the nine months ended 30 September 2016 amounted to approximately HK\$22.2 million, representing an increase of approximately 12.1% over the corresponding period in 2015. Gross profit margin increased slightly from 30.8% to 31.9%. The Group's gross profit for the three months ended 30 September 2016 amounted to approximately HK\$15.0 million, representing an increase of approximately 50.0% over the corresponding period in 2015. Gross profit margin increased significantly from 36.4% to 43.5%, which was mainly due to (i) more design-only projects with 100% margin were completed and (ii) higher average margin was earned for the relatively larger projects (with project revenue of HK\$ 3 million or more), during the nine months ended 30 September 2016 compared to the corresponding period in 2015.

The Group's total operating expenses ^(Note 3) for the nine months ended 30 September 2016 were approximately HK\$25.7 million (including one-time listing expenses of approximately HK\$13.2 million) compared to approximately HK\$6.6 million for the corresponding period in 2015. The Group's total operating expenses for the three months ended 30 September 2016 were approximately HK\$5.0 million compared to approximately HK\$2.3 million for the corresponding period in 2015. The increase in total operating expenses was mainly due to the increased cost of operating a publicly-traded company as well as the utilization of the listing proceeds in accordance to the "Use of Proceeds" stated in the Group's prospectus dated 29 June 2016 with details as shown below.

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

- (1) Increase in staff costs as a result of increase in headcounts and salary increments as the Group continues to hire and retain the best available talents;
- (2) Increase in rental expenses and relocation expenses as the Group has relocated and expanded its office premises in 2016; and
- (3) Increase in fees paid to professional parties since the Group became a public company in July 2016.

For the nine months ended 30 September 2016, the Group's EBITDA (before listing expenses) amounted to approximately HK\$10.0 million as compared to approximately HK\$13.0 million for the corresponding period in 2015 due to the higher operating expenses detailed above.

Management Discussion and Analysis (Continued)

For the three months ended 30 September 2016, the Group's EBITDA (before listing expenses) amounted to approximately HK\$10.3 million as compared to approximately HK\$7.6 million for the corresponding period in 2015, representing an increase of approximately 35.5%.

Due to the increased operating expenses mentioned above, the Group's net profit (before listing expenses) decreased to approximately HK\$8.0 million for the nine months ended 30 September 2016 when compared to a net profit of approximately HK\$10.8 million for the corresponding period in 2015. For the three months ended 30 September 2016, the Group recorded a net profit of approximately HK\$8.5 million as compared to approximately HK\$6.3 million for the corresponding period in 2015, representing an increase of approximately 34.9%.

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

Liquidity, Financial Resources and Capital Structure

The Group maintained a strong and sound financial position during the nine months ended 30 September 2016. As of 30 September 2016, the Group had cash and cash equivalents of approximately HK\$74.4 million (31 December 2015: approximately HK\$12.7 million). The significant increase in cash and cash equivalents was mainly attributable to the proceeds received from the Company's listing in July 2016.

As at 30 September 2016, the Group did not have any outstanding borrowing (hence no gearing ratio of the Group was presented), other indebtedness and did not have any utilized or unutilized bank facilities (31 December 2015: Nil).

The Company's capital comprises ordinary shares and capital reserves. The Group finances its working capital requirements through a combination of cash and cash equivalents, cash flows generated from operations and the proceeds received from the Company's listing in July 2016.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 September 2016 (31 December 2015: Nil).

Management Discussion and Analysis (Continued)

Interim Dividend

The board of the directors of the Company (the “Board”) does not declare any interim dividend for the nine months ended 30 September 2016 (2015: Nil).

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the nine months ended 30 September 2016.

Unaudited Condensed Consolidated Statements of Comprehensive Income

	Notes	For the three months ended		For the nine months ended	
		30 September		30 September	
		2016	2015	2016	2015
		HK\$	HK\$	HK\$	HK\$
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	4	34,510,848	27,499,939	69,634,571	64,309,441
Other income	5	17,620	15,436	51,040	45,452
Other gains/(losses), net	6	210,166	(223,669)	(87,526)	(260,152)
Subcontracting and materials costs		(19,501,791)	(17,489,726)	(47,396,975)	(44,553,112)
Employee benefit expenses		(3,101,010)	(1,390,921)	(7,989,010)	(4,302,735)
Rental expenses		(347,762)	(228,438)	(942,084)	(657,052)
Listing expenses		—	—	(13,207,777)	—
Other expenses		(1,588,488)	(668,881)	(3,531,597)	(1,680,819)
Operating profit/(loss)		10,199,583	7,513,740	(3,469,358)	12,901,023
Finance income		1,066	66,043	3,914	70,821
Profit/(loss) before income tax		10,200,649	7,579,783	(3,465,444)	12,971,844
Income tax expense	7	(1,732,142)	(1,255,863)	(1,732,142)	(2,140,354)
Profit/(loss) for the period attributable to owners of the Company		8,468,507	6,323,920	(5,197,586)	10,831,490
Other comprehensive income		—	—	—	—
Total comprehensive income/(loss) for the period attributable to owners of the Company		8,468,507	6,323,920	(5,197,586)	10,831,490
Dividends		—	—	—	—
Basic and diluted earnings/(loss) per share	8	0.02	0.02	(0.01)	0.03

Unaudited Condensed Consolidated Statements of Changes in Equity

	Share capital HK\$	Share premium HK\$	Combined capital HK\$	Retained earnings HK\$	Total HK\$
As at 1 January 2015	—	—	10,000	7,749,373	7,759,373
Total comprehensive income	—	—	—	10,831,490	10,831,490
As at 30 September 2015	—	—	10,000	18,580,863	18,590,863
As at 1 January 2016	—	—	10,000	17,543,137	17,553,137
Total comprehensive loss	—	—	—	(5,197,586)	(5,197,586)
Transaction with owners in their capacity as owners					
Issuance of shares pursuant to a group reorganisation	1	5,921,989	(10,000)	—	5,911,990
Shares issued under share offer	4,799,999	65,336,977	—	—	70,136,976
As at 30 September 2016	4,800,000	71,258,966	—	12,345,551	88,404,517

Notes to the Condensed Consolidated Financial Information

1. General Information

AL Group Limited (the “Company”) was incorporated in the Cayman Islands on 1 February 2016 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

The shares of the Company (the “Share(s)”) were listed on GEM by way of share offer (the “Listing”) on 12 July 2016 (the “Listing Date”).

2. Reorganisation

Prior to the incorporation of the Company and the completion of a reorganisation (the “Reorganisation”) as described below, the Listing Business was primarily operated by AL Design & Associates Limited (“AL Design”).

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

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

2. Reorganisation (continued)

- (c) On 10 June 2016, pursuant to a sales and purchase agreement dated 10 June 2016 entered into between Mr. Yau and Ms. Sz as vendors and warrantors and the Company as purchaser, Mr. Yau and Ms. Sz transferred their entire shareholding interest in AL Design to AL Group International at a consideration of (i) the Company allotting and issuing 49 shares to Legend Investments credited as fully paid and (ii) the Company crediting the 1 nil-paid Share issued to Legend Investments as fully paid.
- (d) On 15 June 2016, pursuant to a sales and purchase agreement dated 15 June 2016 entered into between Mr. Yau and Ms. Sz as vendors and warrantors and the Company as purchaser, Mr. Yau and Ms. Sz transferred their entire shareholding interest in Legend One Contracting Limited (“Legend One”) to AL Group International at a consideration of the Company allotting and issuing 50 shares to Legend Investments credited as fully paid.

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

The ordinary shares of the Company has been increased by 359,999,900 shares by way of additional issue of 359,999,900 shares at HK\$0.01 each on 6 July 2016 to maintain the “minimum prescribed percentage” of 25% of the issued share capital of the Company in the hand of public on Listing date.

In connection with the Listing, 120,000,000 shares of HK\$0.01 each were issued at the offer price of HK\$0.64 to public investors with gross proceeds of HK\$76,800,000. HK\$1,200,000 was credited to the share capital account and HK\$65,336,977 (net of professional fee of HK\$6,663,023) was credited to the share premium account.

Notes to the Condensed Consolidated Financial Information (Continued)

3. Basis of Preparation and Presentation

This condensed consolidated financial information for the nine months ended 30 September 2016 has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS(s)”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules. The condensed consolidated financial information do not include all information and disclosures as required in the annual financial statements and should be read in conjunction with the Company’s combined financial statements for the year ended 31 December 2015, which have been prepared in accordance with HKFRSs issued by the HKICPA, as set out in the prospectus of the Company dated 29 June 2016.

The accounting policies and method of computation used in the preparation of these condensed financial statements are consistent with those used in the Company’s combined financial statements for the year ended 31 December 2015.

The companies now comprising the Group, were under the common control of Mr. Yau and Ms. Sz (the “Controlling Shareholders”), immediately before and after the Reorganisation. For the purpose of this report, the financial results for the nine months ended 30 September 2015 has been prepared on a combined basis.

The financial results for the nine months ended 30 September 2015 has been prepared by including the financial information of the companies, under common control of the Controlling Shareholders immediately before and after the Reorganisation and now comprising the Group as if the current group structure had been in existence throughout the years presented, or since the date when the combining companies first came under the control of the Controlling Shareholders, whichever is the shorter period.

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

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

Notes to the Condensed Consolidated Financial Information (Continued)

4. Revenue

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2016	2015	2016	2015
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Design	3,500,000	1,610,000	3,500,000	2,010,000
Design and fit out	30,000,310	24,582,841	64,356,830	58,977,035
Maintenance and aftersales service	1,010,538	1,307,098	1,777,741	3,322,406
	34,510,848	27,499,939	69,634,571	64,309,441

5. Other Income

	For the three months ended 30 September		For the nine months ended 30 September	
	2016	2015	2016	2015
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Dividend income on available- for-sale financial assets	17,620	15,436	51,040	45,452

Notes to the Condensed Consolidated Financial Information (Continued)

6. Other Gains/(Losses), Net

	For the three months ended 30 September		For the nine months ended 30 September	
	2016	2015	2016	2015
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Foreign exchange losses	(770)	—	(13,750)	(2,843)
Reversal of/(Impairment losses) on available-for-sale financial assets	210,936	(223,669)	(73,776)	(257,309)
	210,166	(223,669)	(87,526)	(260,152)

7. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the six months ended 30 September 2016 and 2015.

	For the three months ended 30 September		For the nine months ended 30 September	
	2016	2015	2016	2015
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax				
Hong Kong	1,732,142	1,255,863	1,732,142	2,140,354

Notes to the Condensed Consolidated Financial Information (Continued)

8. Earnings/(loss) Per Share

Basic earnings/(loss) per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the nine months ended 30 September 2016 and 2015.

	Three months ended		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	HK\$	HK\$	HK\$	HK\$
Profit/(loss) attributable to owners of the Company	8,468,507	6,323,920	(5,197,586)	10,831,490
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	465,652,174	360,000,000	395,036,496	360,000,000
Earnings/(loss) per share	0.02	0.02	(0.01)	0.03

The weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share has been determined on the assumption that the Reorganisation and Capitalisation Issue in Appendix IV to the Group's prospectus dated 29 June 2016 and Capitalisation Issue completed on 6 July 2016 as described in Note 2 had been effective on 1 January 2015.

The diluted earnings/(loss) per share for the respective periods are the same as the basic earnings/(loss) per share as there were no dilutive potential shares.

Share Option Scheme

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

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

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

There was no option outstanding, granted, cancelled, exercised or lapsed during the nine months ended 30 September 2016.



Directors and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 September 2016, the interests and short positions of directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

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

(i) Interests in the Company *Interests in ordinary shares*

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

Notes:

- The 360,000,000 shares are beneficially held by Legend Investments International Limited, which is legally and beneficially owned as to 80% by Mr. Yau Chung Ping and as to 20% by Ms. Sz Kit. Accordingly, Mr. Yau Chung Ping and Ms. Sz Kit are deemed to be interested in 360,000,000 shares held by Legend Investments International Limited by virtue of the SFO. Mr. Yau Chung Ping and Ms. Sz Kit are directors of Legend Investments International Limited.
- Ms. Wu Kar Wai is the spouse of Mr. Yau Chung Ping and is therefore deemed to be interested in all the shares held/owned by Mr. Yau Chung Ping (by himself or through Legend Investments International Limited) by virtue of SFO. Ms. Wu is an executive director of the Company.

Supplementary Information (Continued)

(ii) Interests in the associated corporation

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

Save as disclosed above, as at 30 September 2016, none of the directors and chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the standards of dealing by directors as referred to in Rule 5.48 to 5.67 of the GEM Listing Rules.

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

As at 30 September 2016, the interest of the persons, other than directors or chief executive of the Company, in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company were as follows:

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

Name of shareholders	Capacity	Number of shares held	% of the Company's issued voting shares
Legend Investments International Limited	Beneficial owner	360,000,000	75%

Supplementary Information (Continued)

Save as disclosed above, as at 30 September 2016, the Company had not been notified by any persons (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Rights to Acquire Shares or Debentures

Other than the Share Option Scheme and as disclosed under the sections “Directors and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures” above, at no time since the Listing Date and up to 30 September 2016 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Interests in Competing Businesses and Conflict of Interests

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

Since the Listing Date and up to 30 September 2016, none of the directors, the controlling shareholders of our Company or their respective close associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of our Group and any other conflict of interest with our Group.

Code on Corporate Governance Practices

Since the Listing Date and up to 30 September 2016, the Company complied with the provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules, save for the following:

Under Code Provision A.5.1 of the CG Code, the Company should establish a nomination committee which is chaired by either the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. Ms. Wu Kar Wai, an executive director who is not the chairman of the Board, is currently the chairlady of nomination committee of the Company. The Board considers that Ms. Wu Kar Wai has extensive experience in public relations matters and extensive network with talents at different levels, especially successful entrepreneurs and senior management personnel of organizations. The Board believes that she is able to attract quality candidates to join the Board, shall such needs arise in the future, to strengthen and consolidate the competitive position of the Company.

Compliance of Code of Conduct for Directors’ Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by our Company since the Listing Date and up to 30 September 2016.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities since the Listing Date and up to 30 September 2016.

Interests of the Compliance Adviser

As notified by VBG Capital Limited, the compliance adviser of our Company, save for the compliance adviser agreement entered into between the Company and VBG Capital limited dated 11 March 2016, neither VBG Capital Limited nor any of its close associates (as defined in the GEM Listing Rules) and none of the directors or employees of VBG Capital Limited had any interest in the share capital of the Company or any member of our Group (including options or rights to subscribe for such securities, if any) which is required to be notified to our Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 September 2016.

Audit Committee

The Company established an audit committee on 15 June 2016 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the CG Code as set out in Appendix 15 to the GEM Listing Rules. The audit committee comprises three independent non-executive Directors, namely, Ms. Lee Hau Yan, Hannah (Chairlady), Mr. Neo Sei Lin, Christopher and Mr. Lau Chun Wah, Davy. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the internal control procedures of our Company.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has discussed with the management regarding the auditing and financial reporting matters. The Audit Committee has discussed and reviewed the unaudited financial information and the third quarterly report for the nine months ended 30 September 2016.



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