

**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

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**AL Group**

**ANNUAL REPORT**  
**年度報告 2017**

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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 of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company and its subsidiaries (together, the "Group"). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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# CORPORATE INFORMATION

## Executive Directors

Mr. Yau Chung Ping (*Chief Executive Officer*)  
Mr. Lam Chung Ho, Alastair (*Chairman*)  
Mr. Wong Kang Man

## Independent Non-executive Directors

Mr. Tse Chi Shing  
Mr. Kloeden Daniel Dieter  
Mr. Tse Wai Hei

## Audit Committee

Mr. Tse Chi Shing (*Chairman*)  
Mr. Kloeden Daniel Dieter  
Mr. Tse Wai Hei

## Remuneration Committee

Mr. Tse Chi Shing (*Chairman*)  
Mr. Yau Chung Ping  
Mr. Tse Wai Hei

## Nomination Committee

Mr. Lam Chung Ho, Alastair (*Chairman*)  
Mr. Tse Chi Shing  
Mr. Kloeden Daniel Dieter

## Company Secretary

Mr. Mok Tsz Chiu Peter

## Authorized Representatives

Mr. Yau Chung Ping  
Mr. Mok Tsz Chiu Peter

## Compliance Officer

Mr. Yau Chung Ping

## Registered Office

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

## Principal Place of Business in Hong Kong

Unit A, 35th Floor, EGL Tower  
83 Hung To Road, Kwun Tong  
Kowloon, Hong Kong

## Independent Auditors

PricewaterhouseCoopers

## Compliance Advisor

VBG Capital Limited

### Principal Bankers

The Bank of East Asia, Limited  
Wing Lung Bank Limited  
Bank of Communications (Hong Kong) Limited  
Shanghai Commercial Bank Limited

### Principal Share Registrar and Transfer Office

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

### Hong Kong Branch Share Registrar and Transfer Office

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

### Stock Code

8360

### Company Website

[www.AL-Grp.com](http://www.AL-Grp.com)



## CEO's STATEMENT



2017 was a year full of challenges and opportunities for the Group. We are very encouraged by the results of the year. The Group's investments in 2016 and the team's hard work in 2017 have resulted in many positive developments and returns for the Group. We have explored different opportunities for new line of business and business collaboration and acquisition. With our listing behind us, we will continue to make strategic investments to develop and strengthen our position and will continue to manage our core businesses with prudence to achieve stable growth and sustain profitability. We will continue to optimise earnings, enhance efficiency and improve the quality of our services.



Dear Shareholders,

On behalf of the board of directors (the "Board") of AL Group Limited (the "Company"), I am pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017.

2017 was a year full of challenges and opportunities for the Group. We are very encouraged by the results of the year. The Group's investments in 2016 and the team's hard work in 2017 have resulted in many positive developments and returns for the Group.

Our business has grown significantly despite the challenging economic conditions. By focusing in meeting the needs of our customers, enhancing our competitive strengths in the market and acquiring new and sizable customers, we have achieved double-digit growth in both revenue (35.5% growth) and gross profit (12.8% growth) for the year ended 31 December 2017 over the corresponding period of the previous year. Revenue and gross profit were HK\$118.7 million and HK\$31.2 million, respectively, both represent record-highs in the Group's operating history.



## CEO'S STATEMENT (CONTINUED)

In addition, with our listing behind us, we have embarked on our next phase of growth to run the next league of our journey. We have explored different opportunities for new line of business and business collaboration and acquisition listed below.

### Business and Financial Review

In 2017, our total revenue has amounted to approximately HK\$118.7 million, which represented an increase of approximately 35.5% over 2016. Excluding projects relating to maintenance and after-sales service, the average revenue per project has increased by approximately 23.2% over 2016 to approximately HK\$2.44 million, while our number of projects for the year ended 31 December 2017 increased by 11.6% over 2016. All these experienced double-digit growth over 2016.

Our gross profit for the year ended 31 December 2017 amounted to approximately HK\$31.2 million, representing an increase of approximately 12.8% over 2016. Our gross profit margin in 2017 decreased slightly from approximately 31.5% in 2016 to approximately 26.2%. It was mainly due to more relatively larger projects (with individual contract sum over HK\$5 million) commenced in 2017 had incurred more costs than anticipated and resulted in a slightly lower profit margin. The relatively larger projects enhanced our reputation and achieved our business growth. Our net profit in 2017 decreased to approximately HK\$2.5 million, compared to approximately HK\$5.4 million (before listing expense) in 2016. Besides the effects of the lower average margins earned from our projects as mentioned above, the decrease in net profit in 2017 was also due to an increase in total operating expenses driven by the increase in the cost of operating a publicly-traded company as well as the utilization of the listing proceeds to develop the Group's business.

The Group continued to be awarded projects in 2018 by existing and new customers who valued the Group's reputation, proven track record and experience in the industry. The Group has a number of projects in the pipeline that were built up since 2016 which will come online and contribute to the total revenue in 2018 and beyond. As at the date of this report, our Group has secured project contracts with total contract sum of approximately HK\$72.2 million for which no work has commenced prior to 31 December 2017.

In addition, on 6 November 2017, the Group acquired 60% interest of Ace Architectural and Interior Design Limited ("ACE"). ACE is principally engaged in interior design business in Hong Kong. We believe that synergies between the companies can enable the Group to optimise returns and earnings.

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. We expect that the new business activity can diversify the income streams of the Group and believe that the new business activity can enable the Group to capture investment opportunities.

## CEO'S STATEMENT (CONTINUED)

I am also pleased to announce that on 15 December 2017, the Group entered into the acquisition agreement with Climb Up Limited in relation to the acquisition of the sale shares, which represented 49% of the entire issued share capital of the Primo Group (BVI) Limited ("Primo") upon completion. Primo is principally engaged in the provision of interior design and fit out solutions. Primo has its own in-house designers to perform 3D drawings and an in-house carpentry team to conduct woodworks. It has been focusing on luxury residential, office and commercial segments in Hong Kong.

The Group and Primo are in the same industry but with different focus. We focus in office segment while Primo focuses in luxury residential, office and commercial segments. The acquisition serves as a diversification of revenue source which enables us to capture the growth in different property sectors 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 Primo 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 Primo has its own in-house 3D drawings team and carpentry team to perform woodworks. The cooperation agreement enables the Group to secure a subcontractor with reputation in the market. The Group and Primo have different clientele which can bring synergy to the Group to gain wider exposure through the referral and subcontracting arrangement. Further, the Group can leverage the expertise of the Primo through the cooperation agreement to strengthen the Group's market position in the industry. We consider that this cooperation agreement is in the interests of the Group and the shareholders as a whole.

### Social Responsibilities and Corporate Branding

As a committed corporate citizen, we have been actively participating in a wide range of community programmes, voluntary services for charity organisations and events as well as green initiatives. Our charity partnerships with Po Leung Kuk, Tung Wah Group of Hospitals, Green Power and Save the Children align our good corporate citizenship initiatives. We strive to contribute to the society through community commitment.

Furthermore, we were awarded Green Office and Eco-Healthy Workplace label under the United Nations Sustainable Development Goals — the Green Office Awards Labelling Scheme (GOALS) by World Green Organization (WGO) to support business entities to go green. We were also awarded the "Caring Company" logo by the Hong Kong Council of Social Service in recognition of our commitment in three areas: Caring for the Community, Caring for the Employees and Caring for the Environment for the second year. Our dedication to empower people to grow in professional and intellectual manners is also demonstrated by our donation to The Hong Kong Polytechnic University with two scholarships for their School of Design. Last but not least, we have always been very supportive in sustainable development. It is our pleasure to be awarded the inaugural Hong Kong Sustainability Award — Certificate of Excellence by Hong Kong Management Association. The award gave recognition to those enterprises which made detailed consideration on social equity, economic, and environmental factors while reaching their performance and success in business.



## CEO'S STATEMENT (CONTINUED)

### Future Prospects

We are optimistic about Hong Kong's economic outlook in 2018 as the Government of the Hong Kong Special Administrative Region is expected to see three to four percent growth this year, which is significantly higher than the two percent in 2016 and the highest since 2011. With our listing behind us, we will continue to make strategic investments to develop and strengthen our position and will continue to manage our core businesses with prudence to achieve stable growth and sustain profitability. Management will continue to optimise earnings, enhance efficiency and improve the quality of our services.

### Appreciation

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

**AL Group Limited**

**Yau Chung Ping**

*Chief Executive Officer and executive Director*

Hong Kong, 23 March 2018

# MANAGEMENT DISCUSSION AND ANALYSIS

## Market Overview

According to Colliers Outlook 2018 Market Outlook Hong Kong dated 16 January 2018, Hong Kong's economy and property sector continued to gain strength during 2017. The Government revised its forecast for Hong Kong's real GDP growth from 2-3% at the beginning of 2017 to 3.7% in December 2017. Hong Kong's Purchasing Managers' Index picked up momentum towards year end and stayed above 50 in second half 2017, indicating that the private sector economy continues to expand. Based on the same report, decentralisation and flexible workspace have been the two leading trends in Hong Kong's office leasing market in the past couple of years. Colliers believes these two trends will continue especially because Central remains the world's most expensive office market. The growing presence of Chinese companies in Central has contributed to the relocation of many multinational corporations and professional companies to emerging office districts, notably Quarry Bay and Wong Chuk Hang on Hong Kong Island and the next generation Central Business District (branded as "CBD2") in East Kowloon. In view of the decentralisation workspace as well as the positive growth of the property sector, our management is cautiously optimistic about the interior design and fit out industry in Hong Kong in 2018.

## Business Overview

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

Excluding projects relating to maintenance and aftersales service, for the year ended 31 December 2017, the revenue increased by approximately 37.8%, and the average revenue per project has increased by approximately 23.2% over 2016 to approximately HK\$2.44 million, while our number of projects for the year ended 31 December 2017 increased by 11.6% over 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The tables below summarized the number of on-going and completed projects and revenue, by type of service and customer, and the average revenue per project during the year ended 31 December 2017 respectively and their comparative figures:

### In terms of Number of Projects\*

	For the year ended 31 December		
	2017	2016	Change
Design and fit out/Design only			
Office	37	30	23.3%
Commercial	2	4	(50.0%)
Residential	9	9	—
<b>Total</b>	<b>48</b>	<b>43</b>	<b>11.6%</b>

### In terms of Revenue\*

In HK\$' million	For the year ended 31 December		
	2017	2016	Change
Design and fit out/Design only			
Office	101.7	60.6	67.8%
Commercial	5.0	15.2	(67.1%)
Residential	10.4	9.2	13.0%
<b>Total</b>	<b>117.1</b>	<b>85.0</b>	<b>37.8%</b>

### Average Revenue per Project\*

In HK\$' million	For the year ended 31 December		
	2017	2016	Change
Revenue	117.1	85.0	37.8%
Number of projects	48	43	11.6%
<b>Average revenue per project</b>	<b>2.44</b>	<b>1.98</b>	<b>23.2%</b>

\* excluding those relating to maintenance and aftersales service

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group continued to be awarded projects in 2018 by existing and new customers who valued the Group's reputation, proven track record and experience in the industry. The Group has a number of projects in the pipeline that were built up since 2016 which will come online and contribute to the total revenue in 2018 and beyond. As at the date of this report, our group has secured project contracts with total contract sum of approximately HK\$72.2 million for which no work has commenced prior to 31 December 2017.

Besides, on 6 November 2017, the Group acquired 60% interest of Ace Architectural and Interior Design Limited ("ACE"). ACE is principally engaged in interior design business in Hong Kong. We believe that synergies between the companies can enable the Group to optimise returns and earnings.

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. We expect that the new business activity can diversify the income streams of the Group. We believe that the new business activity can enable the Group to capture investment opportunities.

In addition, on 15 December 2017, the Group entered into the acquisition agreement with Climb Up Limited in relation to the acquisition of the sale shares, which represented 49% of the entire issued share capital of the Primo Group (BVI) Limited ("Primo") upon completion. Primo is principally engaged in the provision of interior design and fit out solutions. Primo has its own in-house designers to perform 3D drawings and an in-house carpentry team to conduct woodworks. It has been focusing on luxury residential, office and commercial segments in Hong Kong.

The Group and Primo are in the same industry but with different focus. We focus on office segment while Primo focuses on luxury residential, office and commercial segments. The acquisition serves as a diversification of revenue source which enables us 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 Primo 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 Primo has its own in-house 3D drawings team and carpentry team to perform woodworks. The cooperation agreement enables the Group to secure a subcontractor with reputation in the market. The Group and Primo have different clientele which can bring synergy to the Group to gain wider exposure through the referral and subcontracting arrangement. Further, the Group can leverage on the expertise of the Primo through the cooperation agreement to strengthen the Group's market position in the industry.

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

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## Financial Overview

In HK\$' million	For the year ended 31 December	
	2017	2016
Revenue	<b>118.7</b>	87.6
Gross Profit <sup>(Note 1)</sup>	<b>31.2</b>	27.6
Gross Profit Margin	<b>26.2%</b>	31.5%
EBITDA <sup>(Note 2)</sup> before listing expenses	<b>4.7</b>	7.3
Net Profit <sup>(Note 3)</sup> before listing expenses	<b>2.5</b>	5.4
Net Profit/(Loss) <sup>(Note 3)</sup> after listing expenses	<b>2.5</b>	(7.8)

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

Note 3: The Group's net profit/(loss) represents profit/(loss) for the year attributable to owners of the Company.

For the year ended 31 December 2017, the Group experienced double-digit growth in both revenue and gross profit over 2016.

The Group's revenue amounted to approximately HK\$118.7 million, representing an increase of approximately 35.5% over 2016. The Group's gross profit for the year ended 31 December 2017 amounted to approximately HK\$31.2 million, representing an increase of approximately 12.8% over 2016. Gross profit margin decreased from approximately 31.5% to approximately 26.2%, which was mainly due to more relatively larger projects (with individual contract sum over HK\$5 million) commenced in 2017, while the projects had incurred more costs than anticipated and resulted in a slightly lower profit margin. The relatively larger projects enhanced the Group's reputation and achieved our business growth. The Group will take in-depth analysis in the future in order to better control our costs.

The Group's total operating expenses <sup>(Note 4)</sup> for the year ended 31 December 2017 were approximately HK\$28.0 million when compared to approximately HK\$21.2 million (excluding one-time listing expenses of approximately HK\$13.2 million) in 2016. The increase in total operating expenses was mainly due to the increased cost of operating a publicly-traded company as well as the utilization of the listing proceeds in accordance to the "Use of Proceeds" stated in the prospectus dated 29 June 2016 (the "Prospectus") with details as shown below.

Note 4: 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Apart from the one-time listing expenses in 2016, the increase in total operating expenses was mainly due to:

- (1) Increase in staff costs as a result of increase in headcounts, salary increments, staff benefits and incentives as the Group continues to hire and retain the best available talents;
- (2) Increase in fees paid to professional parties as the compliance and advisory services required for the Group as a public-traded company since July 2016; and
- (3) Increase in rental expenses and depreciation expenses as the Group has relocated and expanded its office premises in 2016.

For the year ended 31 December 2017, the Group's EBITDA (before listing expenses) amounted to approximately HK\$4.7 million as compared to approximately HK\$7.3 million for 2016 due to the higher operating expenses detailed above. Driven by the increased operating expenses mentioned above as well as the effects of lower average margins earned from our projects, the Group's net profit<sup>(Note 3)</sup> decreased to approximately HK\$2.5 million for the year ended 31 December 2017 when compared to approximately HK\$5.4 million (before listing expense) for that of 2016, representing a decrease of approximately 54.4%.

### Comparison between Business Objectives and Actual Business Progress

The following is a comparison between the Group's business plans as set out in the Prospectus and the Group's actual business progress for the Year:

Business Plan	Actual Business Progress
<b>Recruiting high caliber talents and enhancing company strength</b>	
— Recruit high caliber talents	— The Group has hired two senior management members and twelve general staff members in the departments of sales and marketing, design, project management, finance and administration since 2016 to cope with our business expansion.
	— The Group continued to offer competitive remuneration packages to retain the best available talents in order to achieve the positive growth of the Company.
— Enhance our information system and design software	— The Group replaced some of our computer equipments, finance and design software.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Business Plan

### Actual Business Progress

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

- |                                  |  |
|----------------------------------|--|
| — Develop a new line of business | — The Group had hired one senior management member dedicated to the planning and execution of our Group's business expansion. In 2016 and 2017, the Group had made a few business trips to pitch for new business opportunities.                               |
| — Acquisition of companies       | — On 6 November 2017, the Group acquired 60% interest of Ace Architectural and Interior Design Limited ("ACE"), as a result ACE is a non-wholly subsidiary of the Group. ACE is principally engaged in the provision of interior design business in Hong Kong. |

On 15 December 2017, the Group entered into the acquisition agreement in relation to the acquisition of the sale shares, which represented 49% of the entire issued share capital of the Primo Group (BVI) Limited ("Primo") upon completion. Primo is also principally engaged in the provision of interior design and fit out solutions. The Group and Primo are in the same industry but with different focus. The Group focuses in office segment while Primo focuses in luxury residential, office and commercial segments. The acquisition serves as a diversification of revenue source which enables us to capture the growth in different property sectors in Hong Kong and have a stable return derived from design and fit out services for different types of property. Please refer the Company's announcement dated 15 December 2017 for details.

The Group is still observing the market in the movable furniture and had not yet identified a plausible business plan.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business Plan	Actual Business Progress
<b>Expanding market coverage</b>	
— Relocate our office in Hong Kong	— The Group had relocated its office from Quarry Bay to Kwun Tong since 2016 with innovative design to further improve the Group's image and enhance good impression from our customers.
— Establish a representative office in Shanghai	— The Group is still observing the market in Shanghai. The Group has regarded other regions of the People's Republic of China as an alternative location and will devote time to observe the market in 2018.
<b>Capturing larger design and fit out projects</b>	
— Payment of start-up costs for new projects	— During the year, the Group had paid out start-up costs to capture the new larger design and fit out projects. Thus, the Group achieved a double-digit growth in revenue in 2017.
<b>Increasing the effectiveness of marketing and brand recognition</b>	
— implement marketing and advertising campaign	— The Group continued to advertise in Tsim Sha Tsui Interchange subways, office/commercial buildings TV network and below the line promotion with Hong Kong General Chamber of Commerce to increase public awareness. The Group had also made donations to various charitable organizations to enhance its corporate image.
— promote through corporate awards & events	<p>— The Group had been awarded numerous corporate awards with the following achievements to promote our brand:</p> <ul style="list-style-type: none"> <li>— Awarded the Green Office and Eco-Healthy Workplace label by World Green Organization (WGO) to support business entities to go green.</li> <li>— Awarded the inaugural Hong Kong Sustainability Award from the Hong Kong Management Association</li> <li>— Awarded the "Caring Company" logo by the Hong Kong Council of Social Service in recognition of our commitment in three areas: Caring for the Community, Caring for the Employees and Caring for the Environment for the second year.</li> <li>— Was invited by Glocal Education Service Centre as the guest speaker for their "GES 2107 Art and Design Seminar". The Group's CEO shared the experiences in interior design industry with the students who are interested in attending art and design courses in the United Kingdom.</li> </ul>

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Use of Listing Proceeds

The shares of the Company were listed on GEM of the Stock Exchange on 12 July 2016 (the "Listing Date") for which the Company issued 120,000,000 new shares at HK\$0.64 per share. The net listing proceeds received by the Company, after deducting underwriting fees and other related expenses, are approximately HK\$57.0 million. These proceeds are intended to be applied in the manner as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

The future plan and scheduled use of proceeds as disclosed in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus, while the proceeds were applied with consideration of the actual development of business and market. As of 31 December 2017, the Group does not anticipate any change to the plan as to the use of listing proceeds. The majority of the unused net proceeds have been placed as interest bearing short-term fixed/demand deposits with licensed bank in Hong Kong.

As at 31 December 2017, the net listing proceeds has been applied and utilized as follows:

Use of net proceeds	Planned use of net proceeds (HK\$'000)	Approximate percentage of total net proceeds	Actual use of net proceeds (HK\$'000)	Unused net proceeds (HK\$'000)
Recruiting high caliber talents and enhancing company strength	15,225	27%	11,583	3,642
Developing a new line of business and financing potential business collaboration and/or acquisition of companies	13,587	24%	4,166	9,421
Expanding market coverage	10,788	19%	5,261	5,527
Capturing larger design and fit out projects	6,840	12%	3,550	3,290
Increasing the effectiveness of marketing and brand recognition	4,860	8%	1,554	3,306
General working capital	5,700	10%	4,155	1,545
<b>Total</b>	<b>57,000</b>	<b>100%</b>	<b>30,269</b>	<b>26,731</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Liquidity, Financial Resources and Capital Structure

The Group practiced prudent financial management and maintained a strong and sound financial position during the year ended 31 December 2017. As of 31 December 2017, the Group had cash and cash equivalents of approximately HK\$57.9 million (31 December 2016: approximately HK\$66.0 million). The decrease in cash and cash equivalents was mainly due to the utilisation of the proceed from the Company's listing and investment in listed securities during the year. The current ratio, being the ratio of current assets to current liabilities, was approximately 2.9 times as at 31 December 2017 (2016: 4.6 times).

As at 31 December 2017, the Group did not have any outstanding borrowing (hence no gearing ratio of the Group was presented) and other indebtedness, and did not have any utilised or unutilised bank facilities (31 December 2016: Nil). There was no finance cost incurred during the year ended 31 December 2017.

The shares of the Company were listed on the GEM Board of the Stock Exchange on 12 July 2016. Since then and up to 31 December 2017, there has been no change to the capital structure of the Company. The Company's capital comprises ordinary shares and capital reserves. The Group finances its working capital requirements mainly through a combination of our cash flows generated from operations and proceeds from share offer.

### Foreign Exchange Exposure

The Group's core business operation is in Hong Kong and its assets are principally in Hong Kong. Hence, the Group is not exposed to significant foreign exchange risk as the majority of our business transactions are denominated in Hong Kong Dollar (being the functional currency of our Group) and there were only insignificant balances of financial assets that were denominated in foreign currency as at 31 December 2017.

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

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## Pledge of Assets

As at 31 December 2017, the Group did not have pledged assets (31 December 2016: Nil).

## Contingent Liabilities

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

## Capital Commitments

As at 31 December 2017, the Group did not have any capital commitments (31 December 2016: Nil).

## Future Plans for Material Investment and Capital Assets

The Group did not have any other plans for material investment and capital assets as at 31 December 2017.

## Significant Investments Held

As at 31 December 2017, the Group held approximately HK\$11.6 million of equity investments which were classified as available-for-sale financial assets and financial assets at fair value through profit or loss. Details of the significant investments are as follows:

	Notes	Place of incorporation	Fair value gain HK\$'000	Market value HK\$'000	Approximate percentage of equity investment %	Approximate percentage to the net asset %
HSBC Holdings plc	1	England	399	1,875	16.2	2.1
Wai Chun Mining Industry Group Company Limited	2	Cayman Islands	230	2,720	23.6	3.1
Chinese Strategic Holdings Limited	3	Bermuda	41	3,963	34.3	4.5
Sheng Ye Capital Limited	4	Cayman Islands	11	2,997	25.9	3.4
			681	11,555	100	13.1

Notes:

1. HSBC Holdings plc (HSBC) is the banking and financial services company. Dividend of HK\$97,467 was received during the year. According to the latest published financial statements of HSBC Holdings plc, it had net asset value of approximately US\$197,871 million.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Wai Chun Mining Industry Group Company Limited is principally engaged in (i) manufacture and sales of modified starch and other biochemical products; (ii) trading of athletic and athletic-style leisure footwear, working shoes, safety shoes, golf shoes and other functional shoes; (iii) trading of electronic parts and components and electrical appliances. No dividend was received during the year. According to the latest published financial statements of Wai Chun Mining Industry Group Company Limited, it had net liabilities value of approximately HK\$17,551,000.
3. Chinese Strategic Holdings Limited is principally engaged in (i) investment in properties for rental income; (ii) trading of securities and dividend income from investments held for trading; (iii) provision of financing services. No dividend was received during the year. According to the latest published financial statements of Chinese Strategic Holdings Limited, it had net asset value of approximately HK\$539,286,000.
4. Sheng Ye Capital Limited is principally engaged in the provision of factoring services, including the provision of financing services (secured by accounts receivable) to factoring customers and the accounts receivable management services. No dividend was received during the year. According to the latest published financial statements of Sheng Ye Capital Limited, it had net asset value of approximately RMB724,429,000.

Subsequent to the year ended 31 December 2017, the Company disposed on-market the shares of Sheng Ye Capital Limited on 15 January 2018 for a gross sale proceeds of approximately HK\$3,087,400 (exclusive of transaction costs). Please refer to the Company's announcement dated 31 January 2018 for details.

In view of the recent volatile in the stock market, the Board will adopt cautious measures to manage the Group's investment portfolio with an aim to provide positive return to the Group in the near future.

### Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

On 15 December 2017, the purchaser (being a wholly-owned subsidiary of the Company) entered into the acquisition agreement with the vendor in relation to the acquisition of the sale shares of Primo, which represented 49% of the entire issued share capital of the Primo which is also principally engaged in the provision of interior design and fit out solutions, at the consideration of HK\$75,000,000. The consideration will be satisfied by the allotment and issue of the consideration shares of the Company and issue of the promissory note by the Company to the vendor upon completion. Please refer the Company's announcement dated 15 December 2017 for details.

Save as disclosed herein, the Group did not have material acquisition and disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2017.

### Employees and Remuneration Policies

As at 31 December 2017, the Group had 49 employees (31 December 2016: 36 employees), including the Directors. Total staff costs (including Directors' emoluments) were approximately HK\$17.6 million for the year ended 31 December 2017 as compared to approximately HK\$12.8 million for the year ended 31 December 2016. Such increase was mainly due to the increase in number of employees as well as competitive remuneration package to retain the talents during the year.

Remuneration is determined with reference to qualifications, duties, contributions and years of experience and performance of individual employees.

In addition to salaries, our remuneration to employees also include sales commission, provident fund, medical coverage and discretionary bonuses. Level of remuneration is reviewed at least annually.

### Significant Event after the Reporting Period

Up to the date of this report and save as disclosed above, there was no significant event relevant to the business or financial performance of the Group that comes to the attention of the Directors after the year ended 31 December 2017.

# BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT

## Executive Directors

**Mr. Yau Chung Ping** (“Mr. Yau”), aged 46, was appointed as a Director on 1 February 2016 then has been re-designated as an executive Director and serves as the Chief Executive Officer (“CEO”) of the Company since 25 February 2016. He is a member of the remuneration committee.

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

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

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

Mr. Yau received a Diploma in Interior and Environmental Design from the First Institute of Arts and Design in August 1994 and Fellowship from The Canadian Chartered Institute of Business Administration in 2016. He has been a professional member of the Hong Kong Interior Design Association since 2004 and International Interior Design Association in 2016. He is also an associated member of International Facility Management Association since 2017. In 2016, Mr. Yau is awarded “Outstanding Entrepreneur Award 2016” from CAPITAL Entrepreneur magazine.

**Mr. Lam Chung Ho, Alastair** (“Mr. Lam”), aged 40, was appointed as the Chairman and an executive Director on 12 July 2017. He is the chairman of nomination committee.

Mr. Lam has been the chairman of Synergy Resources International Limited since 2011, executive director of State Path Capital Limited since 2016 and director of Bionic Vision Technologies Pty Limited since 2017.

Mr. Lam started his career in his family business between 2002 and 2006 at Qualipak Manufacturing Limited, a then wholly-owned subsidiary of Qualipak International Holdings Limited, a company listed on the Stock Exchange of Hong Kong (SEHK:1332). Mr. Lam was the founder of Synergy Group Holdings International Limited, a company listed on the Stock Exchange of Hong Kong (SEHK:1539), where he served as a non-executive director between 14 December 2001 and 19 December 2016 and currently still remains a substantial shareholder.

Mr. Lam graduated from the University of Wisconsin-Madison, Wisconsin, United States with a Bachelor’s degree in Accounting and Business Administration in August 2001.

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

**Mr. Wong Kang Man** ("Mr. Wong"), aged 34, was appointed as a non-executive Director on 10 March 2017 then has been re-designated as an executive Director on 6 November 2017.

Mr. Wong has more than 10 years of experience in electrical and manufacturing engineering and interior design. Mr. Wong is currently a director of Ace Architectural and Interior Design Limited (a non wholly-owned subsidiary of the Company), a company principally engaged in interior design business in Hong Kong. Since October 2012, Mr. Wong has been the director of sales & marketing at TSBE Design Consultant Limited, an interior design firm in Hong Kong. In August 2007, Mr. Wong joined Myron L Company based in San Diego, California USA, as an electrical engineer where over a period of five years had directed teams of over 150 workers and 10 engineers to work on electrical and product engineering projects.

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

### Independent Non-executive Directors

**Mr. Tse Chi Shing** ("Mr. Tse"), aged 34, was appointed an independent non-executive Director of the Company on 12 January 2017. He is the chairman of the remuneration committee and the audit committee and a member of the nomination committee.

Mr. Tse has over 10 years of experience in accounting and auditing. Since 15 September 2017, Mr. Tse has been appointed as 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 the GEM of the Stock Exchange (SEHK:8226), where he is responsible for financial planning, financial control and accounting operations and also manages a full spectrum of company secretarial work for KOALA. Prior to joining to KOALA, Mr. Tse was with the audit firms of Mazars CPA Limited, HLB Hodgson Impey Cheng, and Choy Ng and Co. CPA.

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

**Mr. Kloeden Daniel Dieter** ("Mr. Kloeden"), aged 39, has been appointed as an independent non-executive Director of the Company on 12 July 2017. He is a member of audit committee and nomination committee.

Mr. Kloeden currently serves as President of Bancka Limited, a FinTech start-up focusing on global seamless FX payment solutions. He is responsible for the strategic and operative development ensuring the group's overall business objective and growth plans.

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 specialized in solving Strategic Corporate Development, Sales and Marketing projects on a local, regional and global scale involving multi layers of stakeholder environment.

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

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 February 2006. His studies have been published in September 2008 with the book "Corporate Retail Branding: The Path of Brand positioning of retail brands".

Mr. Kloeden was elected for Germany's most prestigious scholarship for Asia-Pacific — Heinz-Nixdorf Scholarship. He spent a year between February 2006 to February 2007 at the LSI — Sinicum — Ruhr University Bochum, Germany, and at the Shandong Economic University Jinan, China, studying Chinese culture and language.

**Mr. Tse Wai Hei** ("Mr. Tse W.H."), aged 47, has been appointed as an independent non-executive Director of the Company on 30 November 2017. He is a member of audit committee and remuneration committee.

Mr. Tse W.H. has 29 years of experience specializing in mechanical engineering, publishing and printing services. Since 2008, Mr. Tse W.H. 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.

### Senior Management

**Ms. Sz Kit** ("Ms. Sz"), aged 47, has tendered her resignation as an executive Director on 12 July 2017 but remains as an employee for the position of director, Projects with the Company. Ms. Sz is a co-founder of the Group and a controlling shareholder. She was appointed as a director of AL Design, a wholly-owned subsidiary of the Company, since its founding in October 1999.

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

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

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

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

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

**Ms. Lau Yee Nga, Angela** ("Ms. Lau"), aged 43, joined the Group in November 1999 when AL Design was founded. She is currently the director, Sales & Marketing of AL Design and is responsible for sales & marketing and new business development and achieving the Group's revenue and profit targets.

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

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

**Mr. Cheng Lung Yan, Paul** ("Mr. Cheng"), aged 41, joined the Group in March 2016. He is currently the director, Operations of AL Design and is responsible for operational system and business process, management reporting, support services, and coordination and communications between the business and support functions.

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

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

**Ms. Chan Choi Yi** ("Ms. Chan"), aged 48, joined the Group in August 2000, less than a year after AL Design was founded. She is currently the associate director, Human Resources & Administration of AL Design and is responsible for human resource planning & deployment and administration.

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

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

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

**Mr. Mok Tsz Chiu Peter** ("Mr. Mok"), aged 42, has been appointed as company secretary of the Company on 15 December 2017.

Mr. Mok joined the Group as a senior finance manager in October 2017 and has been appointed as financial controller of the Company in December 2017. He is responsible for financial planning, reporting and control, and internal control systems of our Group. Mr. Mok has over 15 years of experience in the field of accounting and financial management with listed and private companies in Hong Kong.

Mr. Mok obtained a bachelor's degree of Commerce in Accounting from the University of British Columbia, Canada. He is a member of the Hong Kong Institute of Certified Public Accountants.

# REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") are pleased to present their annual report together with the audited consolidated financial statements of the Group (the "Consolidated Financial Statements") for the year ended 31 December 2017 (the "Year").

## Principal Activities and Business Review

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

The business review of the Group for the Year together the future business development are set out in the section headed "Management Discussion and Analysis" on pages 9 to 20 of this annual report. This discussion form part of the report of directors.

## Environmental Policies and Performance

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

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

## Compliance with Laws and Regulations

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

### Relationship with key parties

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

#### Customers

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

#### Suppliers

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

#### Employees

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

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

#### Shareholders

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

### Principal Risks and Uncertainties

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

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

## REPORT OF THE DIRECTORS (CONTINUED)

- We rely on the performance of our project management staff; and
- We rely on our suppliers to complete certain projects and are subject to risk arising from the non-compliance, late performance or poor performance by such suppliers. Also, there is no assurance that these suppliers will be able to continue to provide services to us at fees acceptable to us.

### Results and Appropriations

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 71.

The Directors did not recommend the payment of a final dividend to shareholders of the Company for the Year (2016: Nil).

### Four Years Financial Summary

A summary of the published results, assets and liabilities of the Group for the last four financial years is set out on page 126. This summary does not form part of the Consolidated Financial Statements.

### Shares Issued in the Year

Details of the shares issued in the year ended 31 December 2017 are set out in note 26 to the Consolidated Financial Statements.

### Equity-linked Agreements

On 15 December 2017, the Group entered into the acquisition agreement with the vendor in relation to the acquisition of the sale shares of Primo, which represented 49% of the issued share capital of the Primo, at the consideration of HK\$75 million. The consideration will be satisfied by the allotment and issue of the consideration shares of 115 million new shares of the Company and issue of the promissory note by the Company to the vendor upon completion. Please refer to the Company's announcement dated 15 December 2017 for details.

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

### Pre-emptive Rights

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

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

The Company has not redeemed any of its shares during the period from the Listing Date to 31 December 2017. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period from the Listing Date to 31 December 2017.

### Distributable Reserves

As at 31 December 2017, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK\$71.1 million (2016: HK\$74.2 million). Details of the movement in reserve during the Year are set out in note 33 to the Consolidated Financial Statements.

### Donations

During the Year, charitable and other donations made by the Group amounted to HK\$125,700 (2016: HK\$130,900).

### Major Customers and Suppliers

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

#### Purchases

— the largest supplier	10%
— five largest suppliers in aggregate	29%

#### Sales

— the largest customer	33%
— five largest customers in aggregate	63%

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

## REPORT OF THE DIRECTORS (CONTINUED)

### Directors and Directors' Service Contracts

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

#### Executive Directors:

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

Mr. Lam Chung Ho, Alastair (*Chairman*) (appointed on 12 July 2017)

Mr. Wong Kang Man (appointed as non-executive Director on 10 March 2017 and re-designated as executive Director on 6 November 2017)

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

Ms. Sz Kit (resigned on 12 July 2017)

#### Independent Non-executive Directors

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

Mr. Kloeden Daniel Dieter (appointed on 12 July 2017)

Mr. Tse Wai Hei (appointed on 30 November 2017)

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

Mr. Lau Chun Wah, Davy (*Chairman*) (resigned on 12 July 2017)

Ms. Lee Hau Yan, Hannah (resigned on 30 November 2017)

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service contract and/or letter of appointment with the Company for a fixed term of one year, subject to retirement by rotation and re-election at annual general meeting, and will continue thereafter until terminated in accordance with the terms of the service contract/letter of appointment.

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

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

Accordingly, Mr. Yau Chung Ping, Mr. Lam Chung Ho Alastair, Mr. Wong Kang Man, Mr. Tse Chi Shing, Mr. Kloeden Daniel Dieter and Mr. Tse Wai Hei, being all Directors of the Company, shall retire from office at the forthcoming annual general meeting to be held on 11 May 2018 (the "AGM"). All of the retired directors, being eligible, offer themselves for re-election, at the AGM.

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

## REPORT OF THE DIRECTORS (CONTINUED)

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

### Biographical Details of Directors and Senior Management

The biographical details of the Directors and senior management of the Group are disclosed in the section headed "Biographical Details of the Directors and Senior Management" on pages 21 to 25 of this annual report.

### Changes of Directors' Information under Rule 17.50A(1) of the GEM Listing Rules

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes of information of Directors since the publication of 2017 interim report of the Company were as follows:

In September 2017, Mr. Tse Chi Shing has been appointed as the chief financial officer of KOALA Financial Group Limited (formerly known as Sunrise (China) Technology Group Limited) (SEHK: 8226), a company principally engaged in securities investment, trading of commodities, trading of garment accessories, manufacture and sales of LED digital display products, provision of securities placing and brokerage services, money lending and leasing of investment properties.

In November 2017, Mr. Wong Kang Man has been re-designated as an executive director of the Company.

On 30 November 2017, the changes of information of Directors were as follows:

Ms. Lee Hau Yan, Hannah has tendered her resignation as an independent non-executive Director of the Company. Subsequent to her resignation, Ms. Lee has ceased to be the chairlady of the audit committee and the member of remuneration committee.

Mr. Tse Wai Hei has been appointed as an independent non-executive Director and a member for each of the audit committee and the remuneration committee of the Company with a monthly Director's fee of HK\$20,000.

Mr. Tse Chi Shing, an independent non-executive Director, has been appointed as the chairman of audit committee. He has ceased to be the chairman but remains as member of nomination Committee.

Mr. Lam Chung Ho, Alastair, the chairman of the Board of Directors and an executive Director, has been appointed as the chairman of nomination committee.

Mr. Wong Kang Man, an executive Director, has ceased as member of nomination committee.

Save for the information above, the Company is not aware of any other change in the directors' information which are required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules since the date of the 2017 interim report.

## REPORT OF THE DIRECTORS (CONTINUED)

### Management Contracts

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

### Permitted Indemnity Provisions

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

Such provision was in force during the Year. In addition, the Company has also maintained Directors and officers liability insurance during the Year.

### Directors' Remuneration

The Directors' fees are subject to shareholders' approval at annual general meeting. Other emoluments are determined by the Board of the Company with reference to the recommendations by remuneration committee of the Company, directors' duties, responsibilities and performance and the results of the Group. The remuneration of Directors (including executive Directors and independent non-executive Directors) on named basics are set out in note 34 to the consolidated Financial Statements.

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

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

### Related Parties Transactions

Details of the related parties transactions undertaken in the normal course of business are set out in note 32 to the Consolidated Financial Statements. None of them constitutes a discloseable connected transaction under the GEM Listing Rules.

### Non-compete Undertaking

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

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

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

### Share Option Scheme

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

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

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

## REPORT OF THE DIRECTORS (CONTINUED)

As at 31 December 2017, there was no option outstanding, granted, cancelled, exercised or lapsed.

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

Apart from the aforesaid Share Option Schemes, at no time during the year ended 31 December 2017 was the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such rights.

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

As at 31 December 2017, the interests and short positions of directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

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

##### (i) Interests in the Company

###### *Interests in ordinary shares*

Name of directors	Personal interests	Family interests	Corporate interests	Total interests in ordinary shares	Total interests in underlying shares	Aggregate interests	% of the Company's issued voting shares
Mr. Yau Chung Ping <sup>Note</sup>	—	—	144,004,000	144,004,000	—	144,004,000	30%

Note:

The 144,004,000 shares are beneficially held by Legend Investments International Limited ("Legend Investments"), which is legally and beneficially owned as to 80% by Mr. Yau Chung Ping ("Mr. Yau"). Accordingly, Mr. Yau is deemed to be interested in 144,004,000 shares of the Company beneficially held by Legend Investments by virtue of the SFO. Mr. Yau is currently a director of Legend Investments.

## REPORT OF THE DIRECTORS (CONTINUED)

### (ii) Interests in the associated corporation

Name of directors	Name of associated corporation	Capacity/Nature	No. of ordinary shares held	% of the issued voting shares of associate corporation
Mr. Yau Chung Ping	Legend Investments International Limited	Interest in controlled corporation	80	80%
Mr. Wong Kang Man	Ace Architectural and Interior Design Limited	Interest in controlled corporation	3,500	35%

Save as disclosed above, as at 31 December 2017, none of the directors and chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the standards of dealing by directors as referred to in Rule 5.48 to 5.67 of the GEM Listing Rules.

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

As at 31 December 2017, the interest of the persons, other than directors or chief executive of the Company, in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company were as follows:

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

Name of shareholders	Capacity	Number of ordinary shares held	% of the Company's issued voting shares
Legend Investments International Limited	Beneficial owner	144,004,000	30%
Mr. Yau Chung Ping	Interest in controlled corporation	144,004,000	30%

Save as disclosed above, as at 31 December 2017, the Company had not been notified by any persons (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### Competition and Conflict of Interests

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

During the Year, none of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict of interests with the Group, save for the followings:

Mr. Wong Kang Man ("Mr. Wong"), an executive Director of the Company, is a director of Ace Architectural and Interior Design Limited ("ACE"), in which 60% interest of ACE was acquired by our Group on 6 November 2017 and as a result, ACE is a non-wholly owned subsidiary of the Group. ACE is principally engaged in the interior design business in Hong Kong. Despite of such company being engaged in the interior design business in Hong Kong, the Group has been operating independently of the business of such company, no competition is considered to exist during the Year.

### Interests of the Compliance Adviser

As notified by VBG Capital Limited, the compliance adviser of the Company, save for the compliance adviser agreement entered into between the Company and VBG Capital limited dated 11 March 2016, neither VBG Capital Limited nor any of its close associates (as defined in the GEM Listing Rules) and none of the directors or employees of VBG Capital Limited had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 December 2017.

### Sufficiency of Public Float

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

### Corporate Governance Report

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 38 to 53 in this annual report.

### Disposal of Shares by the Controlling Shareholder

On 16 January 2017, Legend Investments International Limited ("Legend Investments"), which is legally and beneficially owned as to 80% by Mr. Yau Chung Ping, an executive director of the Company, disposed 119,996,000 shares of the Company to various independent third parties at HK\$0.395 per share. On 25 August 2017, Legend Investments disposed 38,400,000 shares of the Company to various independent third parties at HK\$0.17 per share. On 9 October 2017, Legend Investments further disposed 57,600,000 shares of the Company to various independent third parties at HK\$0.224 per share. Upon the aforesaid disposals, Legend Investments held 144,004,000 shares, representing approximately 30.0% of the total issued share capital of the Company.

### Closure of the Register of Members

The Register of Members of the Company will be closed from 8 May 2018 to 11 May 2018 (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at the AGM of the Company, all transfer document, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 7 May 2018.

### Auditor

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

By order of the Board  
**AL Group Limited**

**Yau Chung Ping**  
*Chief Executive Officer and executive Director*

Hong Kong, 23 March 2018

# CORPORATE GOVERNANCE REPORT

## Corporate Governance Principles and Practices

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

During the Year, the Board considers that the Company has complied with all the corporate governance codes (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules.

## The Board of Directors

### Composition and Responsibilities

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

#### Executive Directors

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

Mr. Lam Chung Ho, Alastair (*Chairman*) (appointed on 12 July 2017)

Mr. Wong Kang Man (appointed as non-executive Director on 10 March 2017 and re-designated as executive Director on 6 November 2017)

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

Ms. Sz Kit (resigned on 12 July 2017)

#### Independent Non-executive Directors

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

Mr. Kloeden Daniel Dieter (appointed on 12 July 2017)

Mr. Tse Wai Hei (appointed on 30 November 2017)

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

Mr. Lau Chun Wah, Davy (*Chairman*) (resigned on 12 July 2017)

Ms. Lee Hau Yan, Hannah (resigned on 30 November 2017)

On 12 January 2017, Mr. Neo Sei Lin, Christopher resigned as an independent non-executive Director as he is relocating out of Hong Kong to take up a new job opportunity in Southeast Asia and also to devote more time on the board of another Hong Kong listed company that he is serving. On 10 March 2017, Ms. Wu Kar Wai resigned as an executive Director as she decides to devote more time to her new born. On 12 July 2017, Ms. Sz Kit resigned as an executive Director as she needs to devote more time and dedication in her role as Director of Projects with the Company and Mr. Lau Chun Wah, Davy resigned as the Chairman of the Board and an independent non-executive Director as he needs to devote more time on the board of another Singapore listed company that he is serving, as well as other commitments which require more of his time and dedication. On 30 November 2017, Ms. Lee Hau Yan, Hannah resigned as an independent non-executive Director as she needs to devote more time on her other business engagements.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

On 12 January 2017, the Company announced that Mr. Tse Chi Shing has been appointed as an independent non-executive Director of the Company. On 10 March 2017, the Company announced that Mr. Wong Kang Man has been appointed as a non-executive Director of the Company. On 12 July 2017, the Company announced that Mr. Lam Chung Ho, Alastair has been appointed as the Chairman of the Board and an executive Director of the Company and Mr. Kloeden Daniel Dieter has been appointed as an independent non-executive Director of the Company. On 6 November 2017, the Company announced that Mr. Wong Kang Man has been re-designated from non-executive Director to executive Director of the Company. On 30 November 2017, Mr. Tse Wai Hei has been appointed as an independent non-executive Director of the Company.

The biographical details and responsibilities of the Directors as well as the senior management are set out in the section "Biographical Details of the Directors and Senior Management" on pages 21 to 25. The updated list of Directors and their role and function are published at the GEM website and the Company's website at [www.AL-Grp.com](http://www.AL-Grp.com).

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

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

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

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

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

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

### **Procedure for Seeking Independent Professional Advice by Directors**

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

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

### **Board Meetings**

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

For the year ended 31 December 2017, a total of five Board meetings were held. Apart from the meetings of the Board, remuneration committee, nomination committee and audit committee, written approval from the Board and Board committees had also been obtained by written resolutions on a number of matters.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Directors' Attendance at Board/Board Committee/General Meetings

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

	Board Meeting	General Meeting	Audit Committee	Remuneration Committee	Nomination Committee
<b>Executive Directors</b>					
Mr. Yau Chung Ping	5/5	1/1	N/A	1/1	N/A
Mr. Lam Chung Ho, Alastair <sup>(note 1)</sup>	3/3	—	N/A	N/A	—
Mr. Wong Kang Man <sup>(note 2)</sup>	5/5	0/1	N/A	N/A	1/1
Ms. Wu Kar Wai <sup>(note 3)</sup>	—	—	—	—	—
Ms. Sz Kit <sup>(note 4)</sup>	2/2	1/1	N/A	N/A	N/A
<b>Independent Non-executive Directors</b>					
Mr. Tse Chi Shing <sup>(note 5)</sup>	5/5	1/1	4/4	1/1	1/1
Mr. Kloeden Daniel Dieter <sup>(note 6)</sup>	3/3	—	1/2	N/A	0/1
Mr. Tse Wai Hei <sup>(note 7)</sup>	1/1	—	—	—	N/A
Mr. Neo Sei Lin, Christopher <sup>(note 8)</sup>	—	—	—	—	—
Mr. Lau Chun Wah, Davy <sup>(note 9)</sup>	2/2	1/1	2/2	N/A	—
Ms. Lee Hau Yan, Hannah <sup>(note 10)</sup>	4/4	1/1	4/4	1/1	N/A

Note 1: Appointed on 12 July 2017

Note 2: Appointed on 10 March 2017

Note 3: Resigned on 10 March 2017

Note 4: Resigned on 12 July 2017

Note 5: Appointed on 12 January 2017

Note 6: Appointed on 12 July 2017

Note 7: Appointed on 30 November 2017

Note 8: Resigned on 12 January 2017

Note 9: Resigned on 12 July 2017

Note 10: Resigned on 30 November 2017

## CORPORATE GOVERNANCE REPORT (CONTINUED)

The Company was incorporated in Caymans Islands on 1 February 2016 and registered in Hong Kong on 10 March 2016 under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The Company held its first annual general meeting on 12 May 2017. At the annual general meeting, the chairman of the Board as well as chairmen of the nomination committee, remuneration committee and audit committee or, in their absence, other members of the respective committees shall attend to answer questions from shareholders at the annual general meeting.

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

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

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

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

### Appointment, Re-election and Removal

Each of the executive Directors and independent non-executive Directors has entered into a service contract and/or letter of appointment with the Company for a fixed term of one year and will continue thereafter until terminated in accordance with the terms of the service agreement. The aforesaid service contracts and/or the letters of appointment may be terminated by not less than one month's notice in writing served by either party on the other.

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

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

### Confirmation of Independence

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

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Code of Conduct for Securities Transactions by Directors

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

### Induction and Continuous Professional Trainings of Directors

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

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

For the year ended 31 December 2017, all directors have participated in continuous professional development, by attending conferences, seminars and inhouse briefing, and giving talks and reading materials relevant to their duties, responsibilities and the Group's business.

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

## Board Committees

### Audit Committee

The Company established an audit committee on 15 June 2016 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the CG Code as set out in Appendix 15 to the GEM Listing Rules. The terms of reference of the audit committee are available on the websites of the Company and the Stock Exchange.

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

## CORPORATE GOVERNANCE REPORT (CONTINUED)

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

### Independent non-executive Directors:

Mr. Tse Chi Shing (*Chairman*) (appointed as a member on 12 January 2017 and appointed as the Chairman on 30 November 2017)  
Mr. Kloeden Daniel Dieter (appointed on 12 July 2017)  
Mr. Tse Wai Hei (appointed on 30 November 2017)  
Ms. Lee Hau Yan, Hannah (*Chairlady*) (resigned on 30 November 2017)  
Mr. Lau Chun Wah, Davy (resigned on 12 July 2017)  
Mr. Neo Sei Lin, Christopher (resigned on 12 January 2017)

None of the members of the audit committee is a former partner of the Company's existing auditing firm. Mr. Tse Chi Shing, who has appropriate professional qualifications and experience in accounting matters, was appointed as the Chairman of the Audit Committee.

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

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

- met with the external auditors, reviewed and made recommendations for the Board's approval on the annual, interim and quarterly reports of the Company;
- reviewed and approved audit fee;
- recommended the re-appointment of PricewaterhouseCoopers as auditors, subject to the Shareholders' approval at the annual general meeting;
- reviewed the non-competition undertaking by the Controlling Shareholders of the Company; and
- reviewed the effectiveness of the Company's risk management and internal control systems.

### Remuneration Committee

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

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

## CORPORATE GOVERNANCE REPORT (CONTINUED)

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

### Executive Director:

Mr. Yau Chung Ping

### Independent non-executive Directors:

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

Mr. Tse Wai Hei (appointed on 30 November 2017)

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

Ms. Lee Hau Yan, Hannah (resigned on 30 November 2017)

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

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

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

### Nomination Committee

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

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

## CORPORATE GOVERNANCE REPORT (CONTINUED)

The composition of the nomination committee is as follows:

### Executive Director:

Mr. Lam Chung Ho, Alastair (*Chairman*) (appointed on 30 November 2017)

Mr. Wong Kang Man (appointed on 10 March 2017 and resigned on 30 November 2017)

### Independent non-executive Directors:

Mr. Tse Chi Shing (*Chairman*) (appointed on 12 January 2017, ceased to be the Chairman but remain as a member on 30 November 2017)

Mr. Kloeden Daniel Dieter (appointed on 12 July 2017)

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

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

Mr. Lau Chun Wah, Davy (resigned on 12 July 2017)

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

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

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

### Board diversity policy

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

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

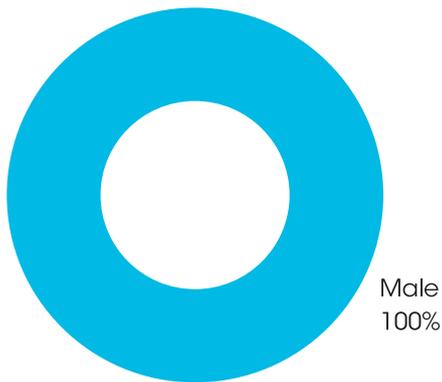
## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Composition of the Diversified Board

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

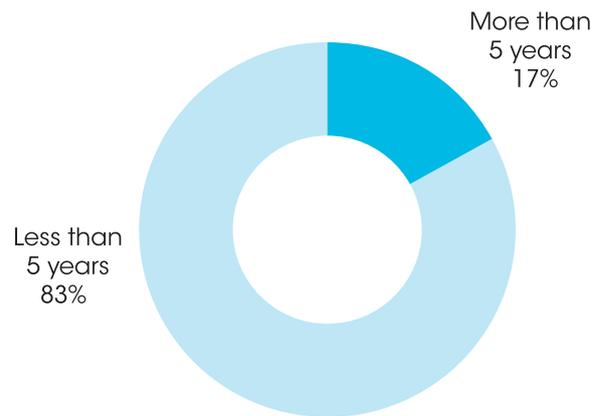
Gender

■ Male



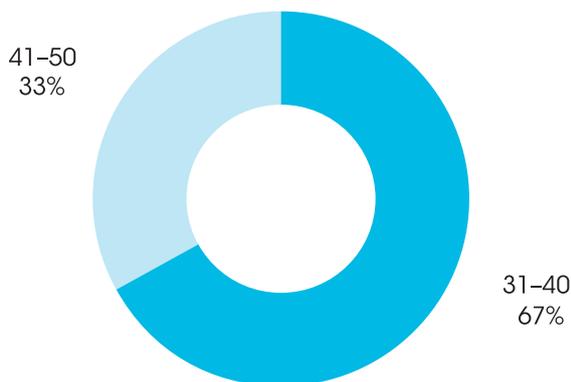
Length of Service with the Group

■ More than 5 years    ■ Less than 5 years



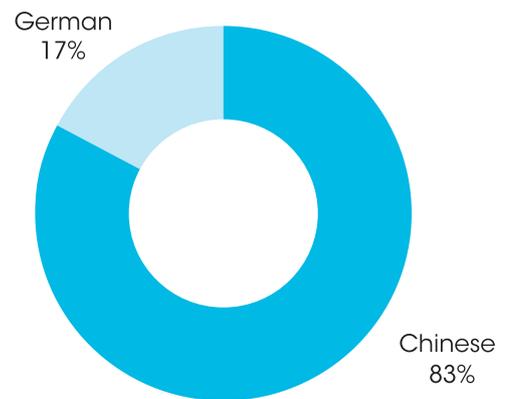
Age

■ 31-40    ■ 41-50



Ethnicity

■ Chinese    ■ German



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

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

## Corporate Governance Function

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

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

## Remuneration of Directors and Senior Management

### Emolument Policy

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

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Accountability and Audit

#### Financial Reporting

The Board acknowledges its responsibility for the preparation of the Consolidated Financial Statements for the year ended 31 December 2017 which give a true and fair view of the state of affairs of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirement under the GEM Listing Rules. The financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements.

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

The statement by auditor about their reporting responsibilities is set out in the independent auditor's report on pages 65 to 70 of the Consolidated Financial Statements.

#### External Auditor's Remuneration

During the Year, the Company engaged PricewaterhouseCoopers as the external auditor. The fee in respect of audit services and non-audit services provided by PricewaterhouseCoopers for the year ended 31 December 2017 amounted to HK\$1,200,000 and HK\$315,600 respectively.

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

### Risk Management and Internal Control Systems

#### Responsibility of the Board

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

#### Our Risk Management and Internal Control Framework

##### Risk Management and Risk Assessment

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

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

## CORPORATE GOVERNANCE REPORT (CONTINUED)

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

- An organisational structure for different responsible parties with defined authority, responsibilities and risk management roles;
- The Board sets forth the proper risk management culture and risk appetite for the Group, evaluates and determines the level of risk that the Group should take and monitor regularly;
- A Risk Management Policy has been established to provide a framework, which includes a risk assessment process, for the identification, analysis, evaluation, treatment, monitoring and reporting of the Group's key risks to support the achievement of the organisation's overall strategic objectives.

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

### Internal Control

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

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

### Review of Risk Management and Internal Control Systems

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

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

### Inside Information

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

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

### Delegation by the Board

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

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

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

### Non-Competition Undertaking from Controlling Shareholders

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

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

## Company Secretary

The Company appointed Mr. Mok Tsz Chiu Peter ("Mr. Mok"), financial controller of the Company, as its company secretary on 15 December 2017. Mr. Mok has day-to-day knowledge of the Company's affairs and assists the Board in respect of any compliance and company secretarial matters of the Company.

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

## Changes in Constitutional Documents

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

## Shareholders' Rights

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

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

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

## CORPORATE GOVERNANCE REPORT (CONTINUED)

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

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

### The Procedures for Sending Enquiries to the Board

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

### Communication with Shareholders and Investors

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

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

The forthcoming annual general meeting of the Company is scheduled to be held on Friday, 11 May 2018. At the annual general meeting, the chairman of the Board as well as chairmen of the nomination committee, remuneration committee and audit committee or, in their absence, other members of the respective committees shall attend to answer questions from shareholders at the annual general meeting. The representatives of the external auditors shall also present and available to answer questions at the meeting.

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

Hong Kong, 23 March 2018

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Approach to Environmental, Social and Governance and Reporting

This Environmental, Social and Governance Report (the "ESG Report") summarises the initiatives, programmes and performance of the Group as well as demonstrates its commitment to sustainability.

The core businesses of the Group are principally engaged in provision of interior design and fit out solutions as well as overall project management in Hong Kong.

The Group believes that environmental protection, low carbon footprint, resource conservation and sustainable development are the key trends in society. In order to follow the key trends and pursue a successful and sustainable business model, the Group recognises the importance of integrating ESG aspects into its risk management system and has taken corresponding measures in its daily operation and governance perspective.

## Reporting Scope

Unless stated otherwise, this report mainly covers the Group's major operating revenue activities under direct management control, including its provision of interior design and fit out solutions as well as overall project management in Hong Kong.

The Group will continue to assess the major environmental, social and governance aspects of different businesses to determine whether it needs to be included in the environmental, social and governance reporting.

## Reporting Framework

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in the Appendix 20 of the GEM Listing Rules (the "ESG Reporting Guide").

Information relating to the corporate governance practices of the Group has been set out in the Corporate Governance Report on pages 38 to 53 of this report.

## Reporting Period

The ESG Report specifics the environmental, social and governance activities, challenges and measures being taken during the year ended 31 December 2017.

## Stakeholder Engagement

The Group values its stakeholders and their views relating to its businesses and environmental, social and governance issues. In order to understand and address stakeholders' concerns, the Group communicates with its key stakeholders, including but not limited to employees, investors, customers, suppliers, government bodies and communities through different channels such as conferences, electronic platforms and public events. In formulating operational strategies and environmental, social and governance measures, the Group takes into account the stakeholders' expectations and strives to improve its performance through mutual cooperation with the stakeholders, resulting in creating greater value for the community.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Materiality Assessment

The management and employees who are responsible for the key functions of the Group have participated in preparing this report, assisted the Group in reviewing its operation, identifying key environmental, social and governance issues and assessing the importance of these issues to our businesses and stakeholders. We compiled a questionnaire in reference to the identified material environmental, social and governance issues to collect the information from relevant departments and business units of the Group.

The following table summarises the Group's significant environmental, social and governance issues as set out in this report:

The ESG Reporting Guide	Material ESG aspects of the Group	Page
<b>A. Environment</b>		
A1. Emissions	Emissions, Wastewater and Waste Management Greenhouse Gas Emission	P. 56–57 P. 57–58
A2. Use of Resources	Energy Consumption Water Consumption Use of Packaging materials	P. 58–59 P. 59 P. 59
A3. The Environment and Natural Resources	Environmental Impact Management	P. 59–60
<b>B. Society</b>		
B1. Employment	Employee Benefits and Equal Opportunities Policies	P. 61
B2. Health and Safety	Occupational Health and Safety	P. 61
B3. Development and Training	Staff Development and Training	P. 61–62
B4. Labor Standards	Prevention of Child Labor or Forced Labor	P. 62
B5. Supply Chain Management	Environmental and Social Risk Management of Supply Chain	P. 62–63
B6. Product Responsibility	Quality and Safety of Products and Services Intellectual Property Management	P. 63 P. 63
B7. Anti-Corruption	Prevention of Corruption and Fraud	P. 63–64
B8. Community Investment	Contributions to Society	P. 64

During the year ended 31 December 2017, the Group confirmed that appropriate and effective management policies and internal control systems for environmental, social and governance issues are in place and confirmed the information disclosed in the ESG Report meets the ESG Reporting Guide.

## Contact us

Comments and suggestions are welcome from our stakeholders. You may provide comments on ESG report or towards our performance in respect of sustainable development.

## A. Environment

### A1. Emissions

#### General Disclosure and Key Performance Indicators ("KPI")

The core businesses of the Group, which mainly involves provision of interior design and fit out solutions as well as overall project management in Hong Kong, mainly rely on internet technology and related equipment and do not involve any manufacturing processes in the course of business. Therefore, during the year ended 31 December 2017, the Group and its office did not generate significant emissions, water pollutants and hazardous wastes during the operation, except for greenhouse gas ("GHG") emissions and non-hazardous waste.

Global warming and climate change have become major environmental issues to the world. The Group aims to minimize energy consumption and carbon emissions and has been exploring ways of adopting operational model which incurs less adverse impact on the environment. From the reporting of environmental perspective, we mainly focused on the environmental impact of the Group's office in Hong Kong and relevant measures to be taken during the daily operation and have formulated policies and procedures relating to the environmental management to govern limited greenhouse gas emissions and non-hazardous waste generated from our operation.

#### Waste management

The Group adheres to waste management principle and strives to properly manage and dispose wastes produced by our business activities. Our waste management practice has been complied with relevant laws and regulations relating to environmental protection. The non-hazardous wastes generated by the Group's operations mainly consist of paper and toner cartridges. During the year ended 31 December 2017, the consumption volume generated by the Group is shown as below:

Non-hazardous waste category	Quantity	Unit	Intensity — Unit per employee
Paper	0.4	Tonnes	0.01
Toner cartridge	14	Pieces	0.4

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

We regularly monitor the consumption volume of paper, toner cartridges and ink cartridges and have implemented a number of reduction measures. The Group's office has also provided suitable facilities and encouraged our staff to sort and recycle the wastes to achieve the objectives in mitigating wastes, reusing and recycling in its operations. The Group maintains high standard in waste reduction, educates its employees the significance of sustainable development and provides relevant support in order to enhance their skills and knowledge in sustainable development.

Apart from recycling, the office has implemented various programs and activities to encourage employees to participate in waste reduction management, including:

- Promote green information and electronic communication, such as e-mail and electronic workflows, to implement "paperless system" concept;
- Place "Green Message" reminders on office equipment;
- Utilise used envelopes and double-side printing. Paper for single-side printing would be only adopted when handling official documents and confidential documents when necessary; and
- Recommend the use of recycled paper.

The Group does not produce any hazardous wastes in its business activities.

### *GHG emission*

The consumption of electricity at the offices and petrol are the largest sources of greenhouse gas emissions of the Group. During the year ended 31 December 2017, the Group's total GHG emissions amounted to approximately 73.9 tonnes and the total GHG emission per employee was 2.3 tonnes/employee. The detailed summary of the GHG emission is shown as below:

### GHG Performance Summary

GHG Scope <sup>1</sup>	Tonnes	Intensity — Tonnes per employee
Direct GHG emission (Scope 1) — petrol consumption	15.8	0.5
Indirect GHG emission (Scope 2) — electricity consumption	56.1	1.7
Other indirect GHG emission (Scope 3) — paper and water consumption	2.0	0.1
<b>Total GHG emission</b>	<b>73.9</b>	<b>2.3</b>

The Group has implemented a number of measures to mitigate energy consumption such as turning off the airconditioning system at night or when leaving office, keeping the office temperature at 25°C in summer and using LED lights or energy-saving light in the office, etc.

<sup>1</sup> GHG emissions data is presented in carbon dioxide equivalent and was in reference to, including but not limited to, the reporting requirements of the "GHG Protocol Corporate Accounting and Reporting Standard" issued by the World Resources Institute and the World Business Council for Sustainable Development, the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes)" and the latest published Baseline Emission Factors for Regional Power Grids in China.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

At the project level, the Group considers the principle of environmental protection when launching each of its projects. For example, in the course of selecting suppliers, we assess whether the materials used by the suppliers in the activities are hazardous to the environment and whether they can effectively conserve energy and minimize carbon emissions. In addition to the above-mentioned measures, the Group issues environmental-related memorandum to its staff to raise their awareness of environmental preservation. Notices and posters relating to the environmental information have been placed in the offices to promote the best practice of the environmental management.

The Group has complied with relevant environmental laws and regulations in Hong Kong. During the year ended 31 December 2017, the Group was not aware of any material noncompliance with laws and regulations relating to the air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group.

On top of complying with the general disclosure requirement of Aspect A1, we have complied with the KPI requirement which is summarised below:

### "Comply or explain" Provisions

KPI A1.1	The types of emissions and respective emissions data.	Disclosed
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	Disclosed
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity	Not applicable
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Disclosed
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Disclosed
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Disclosed

## A2. Use of Resources

### General Disclosure and KPI

#### Energy Consumption

Due to the business nature of the Group, the volume of energy consumption, electricity consumption and water consumption are considered as relatively low, in particular water consumption is very minimal. As mentioned in the Aspect A1 section, the Group has formulated policies and procedures relating to the environmental management, including energy management. Electricity consumption and petrol consumption account for a substantial part of the carbon emission for the Group.

During the year ended 31 December 2017, the Group's consumption in petrol and electricity were:

Energy Type	Quantity	Unit	Intensity — Unit per employee
Petrol	6,084	litre	184.4
Electricity	80,808	kWh	2,448.7

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

On top of the measures of mitigating the energy consumption mentioned in previous section, the Group strives to utilize telephone or video conference to minimize face-to-face meeting in order to reduce petrol consumption in traveling and unnecessary business trips. The Group encourages resources saving in daily office operation and proactively fosters a low-carbon corporate culture, which further increases our employees' awareness in energy conservation.

### *Water consumption and use of packaging materials*

During the year ended 31 December 2017, the Group does not consume significant water in its business activities. Regardless of limited water consumption, we still promote behavioral changes at office and encourage water conservation. Pantry and toilets are posted with environmental messages to remind employees for water conservation, which results in further enhancing our employees' awareness in water conservation.

In addition, due to the nature of business, the Group did not have physical products for sale and therefore did not involve any use of packaging materials. Therefore, this disclosure is not applicable to the Group.

On top of complying with the general disclosure requirement of Aspect A2, we have complied with the KPI requirement which is summarised below:

"Comply or explain" Provisions		
KPI A2.1	Direct and/or indirect energy consumption by type and intensity.	Disclosed
KPI A2.2	Water consumption in total and intensity.	Disclosed
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Disclosed
KPI A2.4	Description on whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Issue in sourcing water — not applicable due to its business nature; Remaining — disclosed
KPI A2.5	Total packaging material used for finished products.	Not applicable

### A3. Environment and Natural Resources

#### General Disclosure and KPI

##### *Environmental impact management*

The Group pursues the best practices in the environment protection and focuses on the impact of the Group's businesses to the environment and natural resources. In addition to complying with relevant environmental laws and regulations as well as properly preserve the natural environment, the Group has integrated the concept of environmental protection into its internal management and daily operations, with the aim of achieving environmental sustainability.

The Group strives to promote environmental protection and make effective use of resources. It carries out continuous monitoring if the business operations incur any potential impact to the environment, and minimises such impact to the environment through promoting green office and operating environment by adopting four basic principles which comprise of reduce, reuse, recycle and replacement. Where applicable, we adopt green purchasing strategies and the most practical technologies to protect our natural resources.

### *Noise Pollution*

Noise pollution practices are implemented during our fit out installation activities, in order to minimise the noise pollution. Programs are produced in the studios with good soundproof facilities.

### *Outdoor lightings*

During outdoor fit-out installation activities, the lightings are adjusted to avoid disturbing neighborhood whenever possible.

### *Landscape and natural habitat*

The Group strives to minimise any unnecessary interference to the natural landscape and animal habitat in the process of fit-out installation activities, in order to maintain the natural beauty of the environment.

The Group regularly reviews its environmental protection policies and has adopted the necessary precautionary measures and actions to reduce significant impact on the environment and natural resources, and ensure that the Group complies with relevant laws and regulations.

During the year ended 31 December 2017, the Group has not found any non-compliance with laws and regulations in respect of the environment and natural resources.

On top of complying with the general disclosure requirement of Aspect A3, we have complied with the KPI requirement which is summarized below:

#### **"Comply or explain" Provisions**

KPI	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed

## B. Society

### B1. Employment

#### General disclosure

##### *Employee Benefits and Equal Opportunities Policies*

Employees are regarded as the Group's largest and most valuable assets and the core of competitive advantage. They provide the driving force for continuous innovation to the Group.

During the year ended 31 December 2017, the Group has fully complied with the statutory requirements in Hong Kong, including the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Mandatory Provident Fund Schemes Ordinance (Chapter 57 of the Laws of Hong Kong), the Minimum Wages Ordinance, the Personal Data Privacy Ordinance and other relevant rules and regulations.

The Group is committed to maintaining a diverse workforce that includes age, gender, family status, sexual orientation, disability, ethnicity, religion and equal opportunities.

The Group's staff handbook contains policies in regards to recruitment, promotion, discipline, working hours and leave. The human resources department has been responsible for ensuring all employees have fully understood the contents of the handbook.

The management regularly reviews the Group's remuneration and benefits policies in reference to the market standards and is committed to safeguarding the rights and interests of the staff. Remuneration and benefits have been adjusted on an annual basis in accordance with the employees' individual performance, contribution and market conditions.

During the year ended 31 December 2017, the Group was not aware of any material non-compliance with laws and regulations relating to employment and labour practices.

### B2. Health and Safety

#### General disclosure

##### *Occupational Health and Safety*

The Group has always placed emphasis on occupational safety and has set up an occupational health and safety management system to provide a safe working environment for office employees.

During the year ended 31 December 2017, the Group has complied with the legislative requirements in Hong Kong, including the Occupational Safety and Health Ordinance.

During the year ended 31 December 2017, the Group was not aware of any non-compliance with the health and safety laws and regulations.

### B3. Development and Training

#### General disclosure

##### *Staff Development and Training*

Employees are regarded as the Group's largest and most valuable assets and an essential part of maintaining a competitive advantage. The Group provides its staff with training courses for upgrading skills and development as needed.

The Group encourages and supports employees to participate in personal and professional training to fulfill the needs of emerging technologies and new equipment. The Group also encourages the culture of sharing of knowledge and experience.

The Group has made good use of its internal resources to organise various forms of training for its office in Hong Kong, including management, customer service and financial knowledge.

### **B4. Labour Standards**

#### **General disclosure**

##### *Prevention of Child Labor or Forced Labor*

The Group strictly prohibits employing any child labor or forced labor in its operations in Hong Kong. The Group has established a well-defined recruitment process which examines the background of candidates and a formal reporting procedure for handling any exception. During the recruitment process, the age of the applicant is verified against the identity documents of the applicant. In addition, the Group conducts regular reviews and inspections to prevent any child labor or forced labor in operation.

In the meantime, the Group also avoids engaging vendors and contractors which are already known to be employing child labor or forced labor in their operations. The Group has complied with the Employment of Children Regulations (Chapter 57B of the Laws of Hong Kong) under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) on the Employment of Adolescents under the Age of 16 and their Legal Rights and Interests and Provisions on the Prohibition of Child Labor in Hong Kong.

During the year ended 31 December 2017, the Group complied with all the laws and regulations relating to the prevention of child labor or forced labor. The Group was not aware of any material non-compliance with laws and regulations relating to employment and labour practices.

### **B5. Supply Chain Management**

#### **General disclosure**

##### *Environmental and Social Risk Management of Supply Chain*

The Group has established and implemented the Supplier Management Policy. In order to strengthen the selection of suppliers, the Group welcomes qualified, competent and high-quality suppliers to join. The Group's procurement department has specially formulated this policy in order to standardise the supplier management and improve the operational standard.

The Group's procurement department is also responsible for organising the supplier evaluation work in two ways which include the ongoing project evaluation and the annual assessment. The evaluation results will serve as the basis of supplier management. Suppliers need to react quickly to the assessment result, taking effective measures to improve the services provided within prescribed period. The Group has the rights to terminate the cooperation with service providers who violate the rules or do not meet the targets.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

In the selection of new suppliers, the Group has compared at least three different companies, taking account of their operational and compliance records as well as their commitment level on top of cost consideration. Prior to conducting business with suppliers, we carry out annual reviews and evaluations in various aspects including occupational health and safety, employee rights protection, environmental protection and corporate social responsibility. This ensures that our operations comply with national standards or relevant regulations and that we have no child or forced labor issues. The assessment results will be used as a benchmark for the continuation or termination of cooperation in the future.

The Group maintains close liaison with its suppliers to monitor its performance to ensure that it is consistent with its service commitment.

### B6. Product Responsibility

#### General disclosure

##### *Quality and Safety of Products and Services*

The Group pays high attention to the quality and safety of its services. The Group has established relevant quality and safety inspection policies for different projects, communicates with our customers and confirms their project expectation and direction prior launching any project, and actively coordinates projects with customers in the process of providing services.

##### *Intellectual Property Management*

The Group's day-to-day operations involve the use of the intellectual property owned by customers, suppliers or the Group itself. Therefore, the protection of intellectual property rights is an extremely important task for the Group. When the Group engages with its customers or suppliers, it will include the protection of intellectual property in the contractual terms. The Group's legal department will also review all the contracts in operation and ensure that the contractual terms protect both parties' intellectual property rights. The Group also requires technical professionals to sign strict confidentiality agreements. Confidential information of our customers is only accessible to employees who are responsible for the corresponding project.

During the year ended 31 December 2017, the Group complies with relevant laws governing the confidentiality of data and intellectual property, including but not limited to Hong Kong Intellectual Property Law.

During the year ended 31 December 2017, the Group was not aware of any non-compliance with relevant laws and regulations related to product responsibility.

### B7. Anti-Corruption

#### General disclosure

##### *Prevention of Corruption and Fraud*

##### *Preventive Measures, Enforcement and Monitoring*

The Group has implemented the Prevention of Commercial Bribery Management Policy, strengthening its internal control mechanism, anti-corruption and anti-bribery work so as to achieve the business philosophy of "abiding by the law, integrity and quality service". For projects with higher monetary value, the Group makes an open bidding invitation to at least three suppliers. Different level of approval and authorisation is required according to the size of the tender agreement.

### Reporting Mechanism

The mechanism includes the establishment of an inspection team and the establishment of a channel for evaluation and reporting. It is strictly forbidden to use the business opportunities or powers to obtain personal interests or benefits. If there is a conflict of interest, it needs to be reported to the management of the Group on a timely basis. The Group also encourages employees and all persons with whom the Group does business, including customers and suppliers, to report the suspected wrongdoing within the Group voluntarily.

The Group has complied with major relevant laws and regulations including Hong Kong's "Prevention of Bribery Ordinance".

During the year ended 31 December 2017, the Group was not aware of any non-compliance with relevant laws and regulations related to anti-corruption.

## B8. Community Investment

### General disclosure

#### *Contributions to Society*

As a responsible company, the Group actively strives to become a positive force in the community and maintains close communication and interaction with the community to contribute to community development.

The Group enhances the quality of life of community through arts, culture and entertainment using on demand systems and activities. Following the development of culture, the community can gain a deeper understanding of history and culture and cultivate higher appreciation of the present and future cultural activities and to a greater level of enjoyment.

The Group will also actively encourage employees to contribute their time and skills to community volunteer works to benefit local communities by giving them opportunities to learn more about social and environmental issues and enhance the corporate value of the Group.

As a moral and responsible enterprise, the content of the advertising programmes and organized events are produced in accordance with the Group's policy of considering community interests and fully complied with the national regulations and rules, which further promotes positive news to the community and restricts any negative content, including as violence, pornography, hatred, superstition, gambling, to be broadcasted. The Group will consider from time to time to make donations to charities when the Group records after-tax profits and has sufficient funds.



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

羅兵咸永道

## Opinion

### What we have audited

The consolidated financial statements of AL Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 71 to 125, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Opinion

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

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

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# INDEPENDENT AUDITOR'S REPORT (CONTINUED)

## Independence

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

## Key Audit Matters

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

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

- Recognition of contract revenue
- Impairment assessment of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Recognition of contract revenue</b> <i>Refer to notes 2.14, 2.21, 4 and 5 to the consolidated financial statements</i></p> <p>The Group recorded revenue from design and fit out service for the year ended 31 December 2017 of HK\$115 million (2016: HK\$81 million).</p> <p>Revenue are recognised according to the stage of completion of individual contracts, calculated on the proportion of total costs at the balance sheet date compared to the estimated total costs of the relevant contract, on the basis that the stage of completion and the total costs of the design and fit out work can be measured reliably.</p> <p>We focused on this area as considerable judgement is used to determine the stage of completion and estimate the costs to complete individual design and fit out contracts for the projects in progress as at the year end date.</p>	<p>Our procedures in relation to management's recognition of contract revenue included the evaluation of the appropriateness of the assumptions and estimates for which management has adopted to measure the stage of contract completion and the margin and the total costs of design and fit out projects.</p> <p>We tested, on a sample basis, the ongoing design and fit out contracts, selected based on both quantitative and qualitative factors, as at year end date. Our audit procedures specifically focused on:</p> <ul style="list-style-type: none"><li>• Checking the terms and conditions of the selected contracts to facilitate our understanding of the respective work nature and contractual relationships with the customers;</li><li>• Checking correspondences with the customers, including the agreed documents or communication evidence to evaluate the reasonableness of management's estimates on the budgeted total contract sum;</li></ul>

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Impairment assessment of trade receivables</b>  <i>Refer to notes 2.12, 4 and 19 to the consolidated financial statements</i></p> <p>The Group had trade receivables of approximately HK\$29.9 million that were past due as at 31 December 2017 (2016: HK\$22.8 million) and trade receivables of HK\$0.8 million (2016: HK\$0.4 million) were impaired and provided for as at year end.</p> <p>Management has performed impairment assessment of the trade receivables based on information including ageing of the trade receivables, past repayment history, subsequent settlement status, credit profile of the customers and on-going trading relationship with the relevant customers. Based on this assessment, management has concluded that the trade receivables of HK\$29.1 million past due as at 31 December 2017 were not impaired.</p>	<ul style="list-style-type: none"> <li>• Assessing management's determination of the stage of completion of the selected projects through inquiry with project managers, inspection of project status reports and, other correspondences with the customers and performing site visits;</li> <li>• Considering the reasonableness of forecasted costs to complete and expected margins by comparing them to managements budgets and actual costs incurred for the projects as well as margins of similar projects. Furthermore, we assessed if historical estimates Of project revenue and margin in the past years were reasonable based on amounts finally invoiced and settled.</li> </ul> <p>We found management's judgement used to determine the stage of completion and estimated costs to complete of the projects in progress as at year end to be supported by available evidence.</p> <p>Our procedures in relation to management's impairment assessment of the trade receivables past due as at 31 December 2017 included evaluation of management's assessment in relation to the recoverability of the past due trade receivables.</p> <p>Our audit procedures focused on the following:</p> <ul style="list-style-type: none"> <li>• Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk;</li> <li>• Understanding the status of each of the material trade receivables past due as at year end, the Groups on-going business relationship with the relevant customers and past repayment history of the customers through discussion with management;</li> </ul>

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
We focused on this area due to the size of the trade receivables past due as at 31 December 2017 and the significant management judgement used to evaluate the recoverability of such balances.	<ul style="list-style-type: none"><li>• Checking, on a sample basis, the ageing profile of the trade receivables as at 31 December 2017 to the underlying financial records and post year-end settlements to bank receipts; and</li><li>• Corroborating explanations from management with supporting evidence, such as correspondence with customers, public search of the customers' profiles as we evaluated management's judgements.</li></ul> <p>We found that management's judgement used to assess the impairment of the trade receivables past due as at year end to be supported by available evidence.</p>

### Other Information

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

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

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

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

### Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 23 March 2018

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK\$	2016 HK\$
Revenue	5	118,688,107	87,588,426
Other income	6	212,336	84,462
Other losses, net	7	(305,491)	(13,750)
Subcontracting and materials costs		(87,537,077)	(59,963,184)
Employee benefit expenses	9	(17,637,627)	(12,836,662)
Rental expenses		(2,037,807)	(1,575,026)
Listing expenses		—	(13,207,777)
Other expenses	8	(8,288,423)	(6,789,834)
<b>Operating profit/(loss)</b>		<b>3,094,018</b>	(6,713,345)
Finance income	10	394,429	179,356
<b>Profit/(loss) before income tax</b>		<b>3,488,447</b>	(6,533,989)
Income tax expense	11	(1,267,509)	(1,295,148)
		<b>2,220,938</b>	(7,829,137)
<b>Profit/(loss) for the year attributable to:</b>			
Owners of the Company		2,450,328	(7,829,137)
Non-controlling interests		(229,390)	—
		<b>2,220,938</b>	(7,829,137)
<b>Other comprehensive income</b>			
Items that may be reclassified to profit or loss:			
Fair value gains on available-for-sale financial assets	14	398,737	22,081
<b>Total comprehensive income/(loss) for the year, net of tax</b>		<b>2,619,675</b>	(7,807,056)
<b>Total comprehensive income/(loss) for the year</b>			
<b>Attributable to:</b>			
Owners of the Company		2,849,065	(7,807,056)
Non-controlling interests		(229,390)	—
		<b>2,619,675</b>	(7,807,056)
<b>Basic and diluted earnings/(loss) per share attributable to owners of the Company (in Hong Kong cents per share)</b>	13	<b>0.51</b>	(1.88)

The above consolidated statement of comprehensive income should be read in conjunction with the accompany notes.

# CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Notes	2017 HK\$	2016 HK\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	4,285,185	3,807,406
Intangible asset	16	2,436,155	—
Available-for-sale financial assets	14	1,874,668	1,378,464
Amount due from a related company	22	1,450,000	—
Rental deposits	19	482,355	317,200
		<b>10,528,363</b>	5,503,070
<b>Current assets</b>			
Trade and other receivables	19	29,994,839	24,731,551
Financial assets at fair value through profit or loss	20	9,680,268	—
Amounts due from customers for contract work	21	20,862,221	9,557,669
Amount due from a related company	22	10,070	—
Prepaid tax		—	2,236,605
Cash and bank balances	23	57,948,703	66,046,905
		<b>118,496,101</b>	102,572,730
<b>Total assets</b>		<b>129,024,464</b>	108,075,800
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital	26	4,800,000	4,800,000
Share premium	26	65,336,977	65,336,977
Other reserve	27	5,921,989	5,921,989
Available-for-sale financial assets revaluation reserve		420,818	22,081
Non-controlling interests		(253,493)	—
Retained earnings		12,164,328	9,714,000
<b>Total equity</b>		<b>88,390,619</b>	85,795,047
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	24	36,606,631	21,625,125
Amounts due to customers for contract work	21	3,899,216	535,800
Deferred income tax liabilities	25	58,068	119,828
Current Income tax liabilities		69,930	—
<b>Total liabilities</b>		<b>40,633,845</b>	22,280,753
<b>Total equity and liabilities</b>		<b>129,024,464</b>	108,075,800

The financial statements on pages 71 to 125 were approved by the Board of Directors on 23 March 2018 and were signed on its behalf:

**Yau Chung Ping**  
Director

**Lam Chung Ho, Alastair**  
Director

The above consolidated balance sheet should be read in conjunction with the accompany notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital HK\$	Share premium HK\$	Other reserve (Note 27) HK\$	Available-for-sale financial assets revaluation reserve HK\$	Retained earnings HK\$	Total HK\$	Non- Controlling interest HK\$	Total HK\$
<b>Balance at 1 January 2016</b>	—	—	10,000	—	17,543,137	17,553,137	—	17,553,137
Loss for the year	—	—	—	—	(7,829,137)	(7,829,137)	—	(7,829,137)
Other comprehensive income	—	—	—	22,081	—	22,081	—	22,081
<b>Total comprehensive loss, net of tax</b>	—	—	—	22,081	(7,829,137)	(7,807,056)	—	(7,807,056)
<b>Transaction with owners in their capacity as owners</b>								
Issuance of shares (at the date of incorporation)	—	—	—	—	—	—	—	—
Issuance of shares pursuant to a group Reorganisation (Note 26)	1	—	5,911,989	—	—	5,911,990	—	5,911,990
Issuance of shares upon capitalisation (Note 26)	3,599,999	(3,599,999)	—	—	—	—	—	—
Share issued under share offer (Note 26)	1,200,000	75,600,000	—	—	—	76,800,000	—	76,800,000
Listing expenses charged to share premium (Note 26)	—	(6,663,024)	—	—	—	(6,663,024)	—	(6,663,024)
	4,800,000	65,336,977	5,911,989	—	—	76,048,966	—	76,048,966
<b>Balance at 31 December 2016</b>	4,800,000	65,336,977	5,921,989	22,081	9,714,000	85,795,047	—	85,795,047
<b>Balance at 1 January 2017</b>	4,800,000	65,336,977	5,921,989	22,081	9,714,000	85,795,047	—	85,795,047
Profit for the year	—	—	—	—	2,450,328	2,450,328	(229,390)	2,220,938
Other comprehensive income	—	—	—	398,737	—	398,737	—	398,737
<b>Total comprehensive income, net of tax</b>	—	—	—	398,737	2,450,328	2,849,065	(229,390)	2,619,675
<b>Transaction with owners in their capacity as owners</b>								
Acquisition of a subsidiary (Note 31)	—	—	—	—	—	—	(24,103)	(24,103)
<b>Balance at 31 December 2017</b>	4,800,000	65,336,977	5,921,989	420,818	12,164,328	88,644,112	(253,493)	88,390,619

The above consolidated statement of changes in equity should be read in conjunction with the accompany notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 HK\$	2016 HK\$
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations	28	<b>5,597,037</b>	(12,726,857)
Income tax refund/(paid)		<b>977,266</b>	(5,821,358)
<b>Net cash generated from/(used in) operating activities</b>		<b>6,574,303</b>	(18,548,215)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	15	<b>(1,021,326)</b>	(4,507,449)
Amount due from a related company		<b>(1,450,000)</b>	—
Purchase of financial assets at fair value through profit or loss		<b>(17,067,706)</b>	—
Proceeds from disposal of financial assets at fair value through profit or loss		<b>7,183,780</b>	—
Proceed from disposal of property, plant and equipment		<b>92,000</b>	—
Decrease/(increase) in bank deposits with a maturity period over three months	23	<b>50,000,000</b>	(50,000,000)
Interest received		<b>351,254</b>	19,082
Acquisition of a subsidiary, net of cash acquired	31	<b>(2,760,507)</b>	—
<b>Net cash generated from/(used in) investing activities</b>		<b>35,327,495</b>	(54,488,367)
<b>Cash flows from financing activities</b>			
Decrease in amounts due from directors		—	1,085,195
Decrease in amount due to a director		—	(745,899)
Proceeds from allotment of ordinary shares		—	76,800,000
Capital injection from controlling shareholders before the reorganisation		—	5,911,990
Payment for listing expenses (equity portion)		—	(6,663,024)
<b>Net cash generated from financing activities</b>		—	76,388,262
<b>Net increase in cash and cash equivalents</b>		<b>41,901,798</b>	3,351,680
Cash and cash equivalents at the beginning of year	23	<b>16,046,905</b>	12,695,225
<b>Cash and cash equivalents at the end of year</b>	23	<b>57,948,703</b>	16,046,905

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 General Information

AL Group Limited (the "Company") was incorporated in the Cayman Islands on 1 February 2016 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company has established a place of business in Hong Kong at Unit A, 35/F, EGL Tower, 83 Hung To Road, Kwun Tong, Hong Kong.

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

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

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

## 2 Summary of Significant Accounting Policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

### 2.1 Basis of preparation

#### (a) Compliance with Hong Kong Financial Reporting Standards and Hong Kong Companies Ordinance

The consolidated financial statements of the AL Group Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622.

#### (b) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets, financial assets and liabilities — measured at fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.1 Basis of preparation (Continued)

#### (c) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	Disclosure of interest in other entities

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities.

#### (d) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

		Effective for annual periods beginning on or after
HKAS 28 (Amendments)	Investment in Associates and Joint Ventures	1 January 2018
HKAS 40 (Amendments)	Investment Property	1 January 2018
HKFRS 1 (Amendments)	First Time Adoption of HKFRS	1 January 2018
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendments)	Clarifications to HKFRS 15	1 January 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets Between Investor	To be determined

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.1 Basis of preparation (Continued)

#### (d) New standards and interpretations not yet adopted (Continued)

##### *HKFRS 9 Financial Instruments*

##### Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

##### Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

- Equity instruments currently classified as available-for-sale financial assets ("AFS") for which a fair value through other comprehensive income ("FVOCI") election is available, and
- Equity instruments currently measured at fair value through profit or loss ("FVPL") which will continue to be measured on the same basis under HKFRS 9.

Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. During the 2017 financial year, the Group didn't dispose its available-for-sale financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change to the loss allowance for trade debtors.

## 2 Summary of Significant Accounting Policies (Continued)

### 2.1 Basis of preparation (Continued)

#### (d) New standards and interpretations not yet adopted (Continued)

##### *HKFRS 9 Financial Instruments (Continued)*

##### Impact (Continued)

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

##### Date of adoption by Group

Must be applied for financial years commencing on or after 1 January 2018. The group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

##### *HKFRS 15 Revenue from Contracts with Customers*

##### Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

##### Impact

The directors of Company anticipate that the application HKFRS 15 in the future may result in more disclosures, however the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

The application of HKFRS 15 may further result in the identification of separate performance obligations in relation to design and fit out contracts which could affect the timing of the recognition of revenue going forward.

##### Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

## 2 Summary of Significant Accounting Policies (Continued)

### 2.1 Basis of preparation (Continued)

#### (d) New standards and interpretations not yet adopted (Continued)

##### *HKFRS 16 Leases*

##### Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

##### Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$1,544,920. The Group estimates that approximately HK\$1,361,240 of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

##### Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 2 Summary of Significant Accounting Policies (Continued)

### 2.2 Principles of consolidation

#### Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

### 2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, liabilities incurred to the former owners of the acquired business, equity interests issued by the Group, fair value of any asset or liability resulting from a contingent consideration arrangement, and fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity, and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.3 Business combinations (Continued)

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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

### 2.4 Separate financial statements

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

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

### 2.5 Segment reporting

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

### 2.6 Foreign currency translation

#### (a) Functional and presentation currency

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

## 2 Summary of Significant Accounting Policies (Continued)

### 2.6 Foreign currency translation (Continued)

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

#### (c) Group companies

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.7 Property, plant and equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

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

### 2.8 Intangible asset

#### Goodwill

Goodwill arises on the acquisition of subsidiaries represents 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 identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

## 2 Summary of Significant Accounting Policies (Continued)

### 2.8 Intangible asset (Continued)

#### Goodwill (Continued)

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

### 2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### 2.10 Investments and other financial assets

#### (a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables; available-for-sale financial assets.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

#### (i) *Financial assets at fair value through profit or loss*

The group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

#### (ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise of trade and other receivables, amount due from customers for contract work, amount due from a related company and cash and bank balances.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.10 Investments and other financial assets (Continued)

#### (a) Classification (Continued)

##### (iii) Available-for-sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

#### (b) Reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

#### (c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

## 2 Summary of Significant Accounting Policies (Continued)

### 2.10 Investments and other financial assets (Continued)

#### (d) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for available-for-sale financial assets that are monetary securities denominated in a foreign currency — translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale — in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Interest on available-for-sale securities and loans and receivables calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of revenue from continuing operations.

Details on how the fair value of financial instruments is determined are disclosed in note 3.3.

### 2.11 Offsetting financial instruments

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

## 2 Summary of Significant Accounting Policies (Continued)

### 2.12 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

#### Assets carried at amortised cost

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

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

Impairment testing of trade receivables is described in note 19.

#### Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

## 2 Summary of Significant Accounting Policies (Continued)

### 2.13 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Trade receivables are generally due for settlement immediately and therefore are all classified as current.

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

### 2.14 Construction contracts

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

Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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

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

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

### 2.15 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.16 Share capital

Ordinary shares are classified as equity.

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

### 2.17 Trade and other payables

These amounts represent liabilities for services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within one year or less of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### 2.18 Current and deferred income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

#### Current income tax

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

#### Deferred income tax

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

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

## 2 Summary of Significant Accounting Policies (Continued)

### 2.18 Current and deferred income tax (Continued)

#### Deferred income tax (Continued)

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### 2.19 Employee benefits

#### (a) Pension obligation

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

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

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

#### (b) Termination benefits

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.19 Employee benefits (Continued)

#### (c) Employee leave entitlements

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

### 2.20 Provision

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

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

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

### 2.21 Revenue recognition

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

#### Sales of services

Design and fit out services income are recognised based on the stage of completion of the contracts as detailed in note 2.14, provided that the stage of contract completion and the contract costs of the contracting work can be measured reliably.

## 2 Summary of Significant Accounting Policies (Continued)

### 2.22 Interest income

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

### 2.23 Dividend income

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

### 2.24 Operating leases (as the lessee)

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

### 2.25 Dividend distribution

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

## 3 Financial Risk Management

### 3.1 Financial risk factors

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

#### (a) Foreign exchange risk

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 3 Financial Risk Management (Continued)

### 3.1 Financial risk factors (Continued)

#### (b) Price risk

##### *Exposure*

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the balance sheet either as available-for-sale (note 14) and at fair value through profit or loss (note 20).

##### *Sensitivity*

The table below summarises the impact of increases/decreases of the share prices of underlying financial instruments on the Group's equity. The analysis is based on the assumption that the share prices of the underlying financial instruments had increased or decreased by 5% with all other variables held constant.

	Impact on post tax profit		Impact on other components of equity	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Available-for-sale financial assets	—	—	94	69
Financial Assets at fair value through profit or loss	484	—	—	—

Post-tax profit for the period would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale. As the fair value of the available-for-sale financial assets would still be above cost, no impairment loss would be recognised in profit or loss as a result of the decrease in the share price.

#### (c) Credit risk

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 3 Financial Risk Management (Continued)

### 3.1 Financial risk factors (Continued)

#### (c) Credit risk (Continued)

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

	Rating	2017 HK\$	2016 HK\$
Cash at banks and bank deposits	A3	57,921,891	66,031,905

Note:

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

The credit quality of the debtors is assessed based on their financial positions, past experience and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors. As at 31 December 2017, the Group had a concentration of credit risk given that the top 5 customers account for 62% (2016: 45%) of the Group's total year end trade receivables balance. However, the Group concludes that the credit risk in relation to these customers is not significant because they have no history of default in recent years. The Group's historical experience in collection of receivables falls within recorded allowance and the directors do not expect any major impairment on trade receivables, and receivables from other counterparties.

#### (d) Liquidity risk

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 3 Financial Risk Management (Continued)

### 3.1 Financial risk factors (Continued)

#### (d) Liquidity risk (Continued)

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

	On demand HK\$	Less than 1 year HK\$	Total HK\$
<b>At 31 December 2017</b>			
Trade and other payables excluding non-financial liabilities	—	16,054,080	16,054,080
<b>At 31 December 2016</b>			
Trade and other payables excluding non-financial liabilities	—	11,518,334	11,518,334

### 3.2 Capital risk management

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

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

Total capital of the Group is calculated as total equity less total borrowings, if any. Management considers that the Group's capital risk is minimal as there was no borrowing as at 31 December 2017 (2016: same).

### 3.3 Fair value estimation

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 3 Financial Risk Management (Continued)

### 3.3 Fair value estimation (Continued)

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

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

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<b>At 31 December 2017</b>				
<b>Financial assets</b>				
<b>Available-for-sale financial assets</b>				
Equity security				
— Listed securities	1,874,668	—	—	1,874,668
<b>Financial assets at fair value through profit or loss</b>				
Equity security				
— Listed securities	9,680,268	—	—	9,680,268

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 3 Financial Risk Management (Continued)

### 3.3 Fair value estimation (Continued)

#### Financial instruments in level 1

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

### 3.4 Offsetting financial assets and financial liabilities

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

## 4 Critical Accounting Estimates and Judgements

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

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

### (a) Recognition of contract revenue

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4 Critical Accounting Estimates and Judgements (Continued)

### (b) Impairment of financial assets

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

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

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

## 5 Revenue and Segment Information

The executive directors of the Group, being the chief operating decision-makers, review the Group's internal reporting in order to assess performance and allocate resource. The Group focuses on provision of design, fit out and decoration services during the year. Information reported to the chief operating decision makers, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

### Revenue from major services

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

	2017 HK\$	2016 HK\$
Design and fit out	115,001,772	80,602,772
Design	2,124,000	4,400,000
Maintenance and aftersales services	1,562,335	2,585,654
	<b>118,688,107</b>	87,588,426

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 5 Revenue and Segment Information (Continued)

### Geographical information

The Group's geographical segments are classified according to the location of its customers. Segment revenue from external customers by the location of customer during the year is as follows:

#### Revenue from external customers

	2017 HK\$	2016 HK\$
Hong Kong	118,688,107	87,588,426

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

#### Non-current assets

	2017 HK\$	2016 HK\$
Hong Kong	10,528,363	5,503,070

The Group's five largest customers accounted for approximately 63% of the Group's total revenue for each of the years ended 31 December 2017 (2016: 50%).

## 6 Other Income

	2017 HK\$	2016 HK\$
Dividend income on available-for-sale financial assets	97,467	84,462
Sundry income	114,869	—
	212,336	84,462

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 7 Other Losses, net

	2017 HK\$	2016 HK\$
Fair value gains on financial assets at fair value through profit or loss	282,549	—
Foreign exchange gains/(loss)	3,367	(13,750)
Loss on disposal of property, plant and equipment	(105,200)	—
Disposal loss on financial assets at fair value through profit or loss	(486,207)	—
	<b>(305,491)</b>	<b>(13,750)</b>

## 8 Other Expenses

	2017 HK\$	2016 HK\$
Advertising costs	458,638	526,550
Auditor's remuneration		
— Audit services	1,200,000	1,200,000
— Non audit services	315,600	218,200
Building management fee	169,878	117,986
Depreciation of property, plant and equipment (Note 15)	1,189,660	614,989
Donation	125,700	130,900
Legal and professional fees	2,394,877	1,172,076
Office relocation expenses	50,200	232,772
Provision for impairment of trade receivables (Note 19)	398,200	394,779
Travelling and entertainment	1,011,762	1,045,038
Write-off of property, plant and equipment (Note 15)	—	201,917
Other expenses	973,908	934,627
	<b>8,288,423</b>	<b>6,789,834</b>

## 9 Employee Benefit Expenses

	2017 HK\$	2016 HK\$
Salaries and allowances	16,666,929	12,071,844
Pension costs — defined contribution plans	563,756	435,980
Welfare and benefits	406,942	328,838
Total including directors' remuneration	<b>17,637,627</b>	<b>12,836,662</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 9 Employee Benefit Expenses (Continued)

### (a) Pensions — defined contribution plans

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

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

During the year ended 31 December 2017, the aggregate amounts of the Group’s contributions to the aforementioned pension scheme was HK\$563,756 (2016: HK\$435,980).

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2016: two) director, whose emolument is reflected in the analysis shown in note 34. The emoluments payable to the remaining four (2016: three) individuals during the year are as follows:

	2017 HK\$	2016 HK\$
Basic salaries and bonuses	3,224,650	2,769,584
Pension costs — defined contribution plan	67,130	52,984
	<b>3,291,780</b>	2,822,568

The emoluments fell within the following band:

	2017 Number of individuals	2016 Number of individuals
<b>Number of individuals</b> (Note)		
Nil to HK\$1,000,000	3	2
HK\$1,000,001-HK\$1,500,000	1	1

Note: The remaining four individuals include one key management who was an executive director and resigned during the year, the portion of the director’s emoluments in relation to that executive director is disclosed in note 34.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 10 Finance Income

	2017 HK\$	2016 HK\$
Interest income on bank deposits	394,429	179,356

## 11 Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the year. No overseas profit tax has been calculated for subsidiaries of the Group that are incorporated in the BVI or the Cayman Islands as they are exempted from tax (2016: Nil).

	2017 HK\$	2016 HK\$
<b>Current tax</b>		
Current tax on profits for the year	1,270,143	1,121,086
Adjustments for current tax of prior periods	59,126	54,234
<b>Total current tax expense</b>	<b>1,329,269</b>	1,175,320
<b>Deferred income tax</b>		
(Decrease)/increase in deferred tax liabilities (Note 25)	(61,760)	119,828
<b>Total deferred tax (benefit)/expense</b>	<b>(61,760)</b>	119,828
<b>Income tax expense</b>	<b>1,267,509</b>	1,295,148

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

	2017 HK\$	2016 HK\$
Profit/(loss) before income tax	3,488,447	(6,533,989)
Tax calculated at the Hong Kong profits tax rates of 16.5% (2016: 16.5%)	575,594	(1,078,108)
Income not subject to tax	(17,026)	(14,674)
Expenses not deductible for tax purposes	583,970	2,353,275
Under-provision of prior years	59,126	54,234
Tax losses for which no deferred income tax asset was recognised	95,845	421
Tax deduction	(30,000)	(20,000)
<b>Income tax expense</b>	<b>1,267,509</b>	1,295,148

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12 Dividends

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016:Nil).

### 13 Earnings/(Loss) Per Share

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

	2017	2016
Profit/(loss) attributable to owners of the Company (in HK\$)	2,450,328	(7,829,137)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	480,000,000	416,721,311
Earnings/(loss) per share (in HK cents)	0.51	(1.88)

The weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share has been determined by retrospectively adjusting the effects of the capitalisation issue on 6 July 2016 to increase the Company's ordinary shares to 360,000,000 shares by assuming such capitalisation issue effective from 1 January 2016.

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

### 14 Available-For-Sale Financial Assets

Available-for-sale financial assets including the following classes of financial assets:

	2017 HK\$	2016 HK\$
<b>Listed securities:</b>		
Equity securities listed in Hong Kong	1,874,668	1,378,464

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 14 Available-For-Sale Financial Assets (Continued)

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

	2017 HK\$	2016 HK\$
As at January 1	1,378,464	1,271,921
Additions arising from stock dividend	97,467	84,462
Gains recognised in other comprehensive income	398,737	22,081
As at December 31	1,874,668	1,378,464

The maximum exposure to credit risk at the balance sheet date is the carrying value of available-for-sale financial assets. None of the available-for-sale financial assets are either past due or impaired.

Available-for-sale financial assets are denominated in HK\$.

The fair value of listed securities is determined on the basis of their quoted market price at balance sheet date.

### 15 Property, Plant and Equipment

	Computer equipment HK\$	Leasehold improvements HK\$	Office equipment HK\$	Furniture HK\$	Motor vehicles HK\$	Total HK\$
Year ended 31 December 2016						
Opening net book amount	55,654	25,726	18,059	17,424	—	116,863
Additions	432,777	3,040,602	45,563	205,122	783,385	4,507,449
Write-off (Note 8)	—	(201,917)	—	—	—	(201,917)
Depreciation charge (Note 8)	(111,733)	(356,081)	(25,325)	(42,780)	(79,070)	(614,989)
Closing net book amount	376,698	2,508,330	38,297	179,766	704,315	3,807,406
At 31 December 2016						
Cost	1,499,824	2,852,796	391,127	429,715	783,385	5,956,847
Accumulated depreciation	(1,123,126)	(344,466)	(352,830)	(249,949)	(79,070)	(2,149,441)
Net book amount	376,698	2,508,330	38,297	179,766	704,315	3,807,406

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 15 Property, Plant and Equipment (Continued)

	Computer equipment HK\$	Leasehold improvements HK\$	Office equipment HK\$	Furniture HK\$	Motor vehicles HK\$	Total HK\$
Year ended 31 December 2017						
Opening net book amount	376,698	2,508,330	38,297	179,766	704,315	3,807,406
Acquisition of a subsidiary (Note 31)	249,041	517,898	—	76,374	—	843,313
Additions	193,154	637,795	—	190,377	—	1,021,326
Disposal	—	—	—	—	(197,200)	(197,200)
Depreciation charge (Note 8)	(185,021)	(803,652)	(17,217)	(43,526)	(140,244)	(1,189,660)
Closing net book amount	633,872	2,860,371	21,080	402,991	366,871	4,285,185
At 31 December 2017						
Cost	1,972,246	4,082,362	391,127	703,110	536,885	7,685,730
Accumulated depreciation	(1,338,374)	(1,221,991)	(370,047)	(300,119)	(170,014)	(3,400,545)
Net book amount	633,872	2,860,371	21,080	402,991	366,871	4,285,185

## 16 Intangible asset

	Goodwill HK\$	Total HK\$
<b>Non-current asset</b>		
<b>At 31 December 2016</b>		
Cost	—	—
Accumulated amortisation and impairment	—	—
Net book amount	—	—
<b>Year ended 31 December 2017</b>		
Opening net book amount	—	—
Acquisition of business (Note 31)	2,436,155	2,436,155
Closing net book amount	2,436,155	2,436,155
<b>At 31 December 2017</b>		
Cost	2,436,155	2,436,155
Accumulated amortisation and impairment	—	—
Net book amount	2,436,155	2,436,155

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 17 Subsidiaries

The Group's principal subsidiaries at 31 December 2017 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

Name of the entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest held by the Group		Ownership interest held by the non-controlling interests	
				2017 (%)	2016 (%)	2017 (%)	2016 (%)
AL Group International Limited	BVI, limited liability company	Investment holding in Hong Kong	1 ordinary share of US\$1 each	100%	100%	—	—
AL Design & Associates Limited	Hong Kong, limited liability company	Provision of interior design and fit out solutions and overall project management in Hong Kong	15,000 ordinary shares of HK\$5,911,990	100%	100%	—	—
Legend One Contracting Limited	Hong Kong, limited liability company	Provision of interior design and fit out solutions and overall project management in Hong Kong	10,000 ordinary shares of HK\$1 each	100%	100%	—	—
Benefit Focus Limited	BVI, limited liability company	Investment holding in Hong Kong	10,000 ordinary share of US\$1 each	100%	—	—	—
Earn Action Limited	BVI, limited liability company	Investment holding in Hong Kong	10,000 ordinary share of US\$1 each	100%	—	—	—
Sunny Stage Limited	BVI, limited liability company	Investment holding in Hong Kong	10,000 ordinary share of US\$1 each	100%	—	—	—
Fasty Aim Limited	BVI, limited liability company	Investment holding in Hong Kong	10,000 ordinary share of US\$1 each	100%	—	—	—
Major Joyful Limited	BVI, limited liability company	Investment holding in Hong Kong	10,000 ordinary share of US\$1 each	100%	—	—	—
ACE Architectural and Interior Design Limited	Hong Kong, limited liability company	Provision of interior design and fit out solutions and overall project management in Hong Kong	10,000 ordinary share of HK\$1 each	60%	—	40%	—

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 18 Financial Instruments by Category

The Group holds the following financial instruments:

	Assets at fair value through profit or loss HK\$	Assets at fair value through other comprehensive income HK\$	Financial assets at amortised cost HK\$	Total HK\$
<b>Financial assets</b>				
<b>2017</b>				
Available-for-sale financial assets	—	1,874,668	—	1,874,668
Financial assets at fair value through profit or loss	9,680,268	—	—	9,680,268
Rental deposits	—	—	482,355	482,355
Trade and other receivables excluding prepayments	—	—	29,142,234	29,142,234
Amounts due from customers for contract work	—	—	20,862,221	20,862,221
Amounts due from a related company	—	—	1,460,070	1,460,070
Cash and bank balances	—	—	57,948,703	57,948,703
	9,680,268	1,874,668	109,895,583	121,450,519
<b>2016</b>				
Available-for-sale financial assets	—	1,378,464	—	1,378,464
Rental deposits	—	—	317,200	317,200
Trade and other receivables excluding prepayments	—	—	22,562,242	22,562,242
Amounts due from customers for contract work	—	—	9,557,669	9,557,669
Cash and bank balances	—	—	66,046,905	66,046,905
	—	1,378,464	98,484,016	99,862,480
				<b>Financial liabilities at amortised cost HK\$</b>
<b>Financial liabilities</b>				
<b>2017</b>				
Trade and other payables excluding non-financial liabilities				16,054,080
<b>2016</b>				
Trade and other payables excluding non-financial liabilities				11,518,334

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 19 Trade and Other Receivables

	2017 HK\$	2016 HK\$
Trade receivables	29,885,874	22,791,397
Less: Provision for impairment of trade receivables	(792,979)	(394,779)
Trade receivables, net	29,092,895	22,396,618
Prepayments, deposits and other receivables	1,384,299	2,652,133
	30,477,194	25,048,751
Less: non-current portion: rental deposit	(482,355)	(317,200)
Current portion	29,994,839	24,731,551

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

The Group does not grant credit term to customers. At 31 December 2017 and 2016, the ageing analysis of the trade receivables based on invoice date were as follows:

	2017 HK\$	2016 HK\$
<b>Overdue</b>		
1-30 days	9,586,807	2,983,494
31-60 days	4,850,042	2,944,126
More than 60 days	14,656,046	16,468,998
	29,092,895	22,396,618

As of 31 December 2017, trade receivables of HK\$29,092,895 (2016: HK\$22,396,618) were past due but not considered to be impaired because these mainly relate to customers from whom there is no recent history of default. Based on past experience, the directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. As of 31 December 2017, trade receivables of HK\$792,979 (2016: HK\$394,779) were impaired.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 19 Trade and Other Receivables (Continued)

The individually impaired receivables mainly relate to design and fit out, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2017 HK\$	2016 HK\$
More than 60 days	<b>792,979</b>	394,779

Movement on the Group's allowance for impairment of trade receivables is as follows:

	2017 HK\$	2016 HK\$
At 1 January	<b>394,779</b>	—
Provision for impairment recognised during the year	<b>398,200</b>	394,779
<b>At 31 December</b>	<b>792,979</b>	394,779

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

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

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

The Group's management closely monitors the credit quality of debtors and considers the debtors that are past due but not impaired to be of a good credit quality. Based on the payment pattern of the customers of the Group, debtors that are past due but not impaired are generally collectible.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 20 Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss are all held for trading and include the following:

	2017 HK\$	2016 HK\$
<b>Listed securities:</b>		
Equity securities listed in Hong Kong	<b>9,680,268</b>	—

### (i) Amounts recognised in profit or loss

Changes in fair values of financial assets at fair value through profit or loss are recorded in other gains/(losses) in profit or loss (2017: HK\$282,549; 2016: Nil).

### (ii) Risk exposure and fair value measurements

Information about the group's exposure to price risk is provided in note 3.1. For information about the methods and assumptions used in determining fair value please refer to note 3.3.

## 21 Amounts due from/(to) Customers for Contract Work

	2017 HK\$	2016 HK\$
<b>Amounts due from customers for contract work</b>		
Contract costs incurred plus attributable profits less foreseeable losses to date	<b>73,800,296</b>	31,793,740
Progress billings received and receivable	<b>(52,938,075)</b>	(22,236,071)
	<b>20,862,221</b>	9,557,669
<b>Amounts due to customers for contract work</b>		
Progress billings received and receivable	<b>9,493,592</b>	1,050,299
Contract costs incurred plus attributable profits less foreseeable losses to date	<b>(5,594,376)</b>	(514,499)
	<b>3,899,216</b>	535,800

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

As at 31 December 2017, there is nil balance for retention held by customers for contract work (2016: Nil).

As at 31 December 2017, there is nil amount of advances received from customers for contract work (2016: Nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 22 Amount due from a Related Company

	Maximum outstanding balance during the year ended 31 December		Maximum outstanding balance during the year ended 31 December	
	2017 HK\$	2017 HK\$	2016 HK\$	2016 HK\$
<b>Non-current</b>				
Active Door Finance Limited (Note)	1,450,000	1,450,000	—	—
<b>Current</b>				
Legend Enterprise (HK) Limited	—	—	—	2,789,826
Active Door Finance Limited	10,070	10,070	—	—

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

Note: The balance represents the consideration and deposit paid in advance for the acquisition of Active Door Finance Limited, which is a company incorporated in Hong Kong. The acquisition of Active Door Finance Limited is subject to the renewal of its money lender's licence.

### 23 Cash and Bank Balances

	2017 HK\$	2016 HK\$
Cash at bank and in hand	27,948,703	15,786,609
Short-term bank deposits (Note a)	30,000,000	260,296
Cash and cash equivalents in the consolidated statement of cash flows	57,948,703	16,046,905
Bank deposits with a maturity period of over 3 months (Note b)	—	50,000,000
Cash and bank balances	57,948,703	66,046,905

Note a: The interest rate on the short-term deposit was 1.03% (2016: 0.1%) per annum, maturing on 10 January 2018 (2016: 13 February 2017).

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

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

	2017 HK\$	2016 HK\$
HK\$	57,733,374	65,819,978
Renminbi	215,329	226,927
	57,948,703	66,046,905

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 24 Trade and Other Payables

	2017 HK\$	2016 HK\$
Trade payables	16,054,080	11,518,334
Accrued employee benefit expenses	1,483,288	1,059,642
Accruals and other payables	19,069,263	9,047,149
	<b>36,606,631</b>	21,625,125

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

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

	2017 HK\$	2016 HK\$
Within 1 month	5,499,460	1,630,647
1 to 2 months	268,715	1,118,944
2 to 3 months	1,776,897	1,908,917
Over 3 months	8,509,008	6,859,826
	<b>16,054,080</b>	11,518,334

### 25 Deferred Income Tax

The analysis of deferred tax liabilities is as follows:

	2017 HK\$	2016 HK\$
<b>Deferred tax liabilities</b>		
Deferred tax liabilities to be recovered within 12 months	58,068	119,828
	<b>58,068</b>	119,828

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 25 Deferred Income Tax (Continued)

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

	2017 HK\$	2016 HK\$
At 1 January	119,828	—
(Charged)/credited to statement of comprehensive income (Note 11)	(61,760)	119,828
<b>At 31 December</b>	<b>58,068</b>	119,828

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

	Accelerated tax depreciation HK\$
At 1 January 2017	119,828
Charged to statement of comprehensive income (Note 11)	(61,760)
<b>At 31 December 2017</b>	<b>58,068</b>

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK\$ 95,845 (2016: HK\$421) in respect of losses amounting to HK\$911,039 (2016: HK\$17,405) that can be carried forward against future taxable income. Such losses do not have expiry date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 26 Share Capital and Share Premium

### Authorised share capital

	Number of Ordinary share	Nominal value of ordinary share HK\$	Share premium HK\$
As at 1 February 2016 (Date of incorporation) (Note a)	38,000,000	380,000	—
Increase in authorised share capital (Note b)	9,962,000,000	99,620,000	—
As at 31 December 2016 and 31 December 2017	10,000,000,000	100,000,000	—

### Issued and fully paid

	Number of Ordinary Share	Nominal value of ordinary share HK\$	Share premium HK\$
As at 1 February 2016 (Date of incorporation) (Note a)	1	—	—
Issue of ordinary shares of HK\$0.01 each (Note c)	99	1	—
Issuance of shares pursuant to capitalisation (Note d)	359,999,900	3,599,999	(3,599,999)
Issue of ordinary shares of HK\$0.64 each (Note e)	120,000,000	1,200,000	75,600,000
Listing expenses charged to share premium	—	—	(6,663,024)
As at 31 December 2016 and 31 December 2017	480,000,000	4,800,000	65,336,977

Notes:

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 26 Share Capital and Share Premium (Continued)

Notes: (Continued)

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

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

(d) On 6 July 2016, approximately HK\$3,599,999 standing to the credit of the share premium account of the Company was capitalised by applying such sum in paying up in full at par 359,999,900 Shares for allotment and issue to the Shareholders in proportion to their then shareholdings in the Company so that the Shares allotted and issued shall rank pari passu in all respects with the then existing issued Shares. This transaction is a non-cash transaction.

(e) The Company's shares were listed on GEM on 12 July 2016. Upon the completion of the Listing, 120,000,000 ordinary shares of HK\$0.01 each were issued at a price of HK\$0.64 per share for a total consideration of HK\$76,800,000 with listing expenses of HK\$6,663,024 charged to share premium.

## 27 Other Reserve

Other reserve of HK\$5,921,989 (2016: same) represented the difference between the combined capital of group subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange thereof, please refer to note 26.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 28 Cash Generated from Operations

	2017 HK\$	2016 HK\$
Profit/(loss) before income tax	<b>3,488,447</b>	(6,533,989)
Adjustments for:		
Depreciation of property, plant and equipment (Note 15)	<b>1,189,660</b>	614,989
Loss on disposal of property, plant and equipment (Note 7)	<b>105,200</b>	—
Fair value gain on financial assets at fair value (Note 7)	<b>(282,549)</b>	—
Loss on disposal of financial assets at fair value through profit or loss (Note 7)	<b>486,207</b>	—
Dividend income on available-for-sale financial assets (Note 6)	<b>(97,467)</b>	(84,462)
Finance income (Note 10)	<b>(394,429)</b>	(179,356)
Provision for impairment of trade receivables (Note 19)	<b>398,200</b>	394,779
Write-off of property, plant and equipment (Note 8)	—	201,917
Operating profit/(loss) before working capital changes	<b>4,893,269</b>	(5,586,122)
Increase in trade and other receivables	<b>(2,240,713)</b>	(3,577,032)
Increase in amounts due from customers for contract work	<b>(7,293,302)</b>	(8,077,509)
(Increase)/decrease in amount due from a related company	<b>(10,070)</b>	2,789,826
(Decrease)/increase in amounts due to customers for contract work	<b>(252,580)</b>	15,312
Increase in trade and other payables	<b>10,500,433</b>	1,708,668
Cash generated from/(used in) operations	<b>5,597,037</b>	(12,726,857)

### Non-cash transaction

On 6 July 2016, approximately HK\$3,599,999 standing to the credit of the share premium account of the Company was capitalised by applying such sum in paying up in full at par 359,999,900 Shares for allotment and issue to the Shareholders in proportion to their then shareholdings in the Company so that the Shares allotted and issued shall rank pari passu in all respects with the then existing issued Shares.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 29 Operating Lease Commitments

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

	2017 HK\$	2016 HK\$
Not later than 1 year	1,361,240	1,903,200
Later than 1 year and no later than 5 years	183,680	810,200
	<b>1,544,920</b>	2,713,400

### 30 Contingent Liabilities

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

### 31 Business Combination

#### (a) Summary of acquisition

On 6 November 2017, a wholly owned subsidiary of the Company acquired 60% of the issued share capital of ACE Architectural and Interior Design Limited ("ACE"), a company providing interior design and fit out solutions, as well as project management.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	HK\$
Purchase consideration:	
Cash paid	2,400,000
Total purchase consideration	2,400,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 31 Business Combination (Continued)

### (a) Summary of acquisition (Continued)

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value HK\$
Cash and bank balances	1,434,493
Trade receivables	788,543
Property, plant and equipment	843,313
Other receivables	162,685
Amount due from customers for contract work	4,011,249
Prepayment	400,528
Amount due to a director	(1,795,000)
Amount due to customers for contract work	(1,424,996)
Accruals	(4,481,073)
Net identifiable liabilities acquired	(60,258)
Add: non-controlling interests	24,103
Add: goodwill (Note 16)	2,436,155
Net assets acquired	2,400,000

The goodwill will not be deductible for tax purposes.

There were no acquisitions in the year ended 31 December 2016.

#### (i) Fair value of the acquired identifiable intangible assets

The fair value of the acquired identifiable intangible assets of HK\$2,436,155 is provisional pending finalisation of the fair valuations for those assets.

#### (ii) Acquired receivables

The provisional fair value of acquired trade receivables is HK\$788,543, which is the same as the gross contractual amount for trade receivables due.

#### (iii) Accounting policy choice for non-controlling interests

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in ACE, the Group elected to recognise the non-controlling interests in at its proportionate share of the acquired net identifiable assets. See note 2.3 for the group's accounting policies for business combinations.

#### (iv) Revenue and profit contribution

The acquired business contributed revenues of HK\$1,370,736 and net loss of HK\$573,475 to the Group for the period from 6 November to 31 December 2017.

If the acquisition had occurred on 25 April 2017, incorporation date of ACE, consolidated pro-forma revenue and loss for the year ended 31 December 2017 would have been HK\$10,888,133 and HK\$643,733 respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 31 Business Combination (Continued)

#### (b) Purchase consideration — cash outflow

	2017 HK\$
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	2,400,000
Less: Balances acquired	
Cash	(39,292)
Bank	(1,395,201)
Amount due to a director	1,795,000
	2,760,507
Net outflow of cash — investing activities	2,760,507

### 32 Related Parties Transaction

The Group is controlled by Legend Investments International Limited (incorporated in British Virgin Islands), which is the ultimate parent of the Group and owns 30% of the Company's shares. The remaining 70% of the shares are widely held. The ultimate controlling party of the Group is Mr. Yau.

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

Name	Relationship with the Group
Legend Enterprise (HK) Limited	Controlled by Mr. Yau
A Legend International Limited	Controlled by Mr. Yau
Active Door Finance Limited	Common key management personnel Mr. Lam Chung Ho, Alastair and Mr. Wong Kang Man
Ms. Cheng	Close family member of Ms. Sz

The following significant transaction was carried out between the Group and its related parties during the year. In the opinion of the directors of the Group, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 32 Related Parties Transaction (Continued)

### (a) Transactions with related parties

#### (i) Sales of design and fit out services

	2017 HK\$	2016 HK\$
Sales of design and fit out services:		
— An entity controlled by Mr. Yau and Ms. Sz (Note a)	—	100,000
— Close family member of Ms. Wu (Note a)	—	680,000
— Close family member of Ms. Sz (Note a)	<b>682,020</b>	—
	<b>682,020</b>	780,000
Rental expenses:		
Legend Enterprise (HK) Limited (Note b)	—	40,195

Notes:

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

### (b) Balances with related parties

Balances with related parties as at 31 December 2017 and 2016 were disclosed in note 22.

### (c) Key management compensation

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

	2017 HK\$	2016 HK\$
Basic salaries and bonuses	<b>6,378,375</b>	5,637,947
Pension costs — defined contribution plan	<b>189,025</b>	175,984
	<b>6,567,400</b>	5,813,931

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 33 Balance Sheet and Reserve Movement of the Company

### Balance sheet of the Company

Note	2017 HK\$	2016 HK\$
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment in subsidiaries	20,854,781	20,464,781
Amount due from a related company	1,000,000	—
	<b>21,854,781</b>	20,464,781
<b>Current assets</b>		
Amount due from a related company	10,070	—
Amount due from subsidiaries	4,511,468	—
Financial assets at fair value through profit or loss	9,680,268	—
Prepayments and other receivables	305,746	512,207
Cash and bank balances	42,075,217	61,659,060
	<b>56,582,769</b>	62,171,267
<b>Total assets</b>	<b>78,437,550</b>	82,636,048
<b>EQUITY</b>		
Equity attributable to owners of the Company		
Share capital	4,800,000	4,800,000
Share premium	(a) 85,801,749	85,801,749
Accumulated losses	(a) (14,667,085)	(11,628,482)
<b>Total equity</b>	<b>75,934,664</b>	78,973,267
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accruals	30,220	—
Amounts due to subsidiaries	2,472,666	3,662,781
<b>Total liabilities</b>	<b>2,502,886</b>	3,662,781
<b>Total equity and total liabilities</b>	<b>78,437,550</b>	82,636,048

The Company was incorporated on 1 February 2016 with an authorised share capital of HK\$380,000, divided into 38,000,000 shares of HK\$0.01 each.

The balance sheet of the Company was approved by the Board of Directors on 23 March 2018 and was signed on its behalf.

**Yau Chung Ping**  
Director

**Lam Chung Ho, Alastair**  
Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 33 Balance Sheet and Reserve Movement of the Company (Continued)

### Balance sheet of the Company (Continued)

#### (a) Reserve movement of the Company

	Share premium HK\$	Accumulated losses HK\$	Total HK\$
At 1 February 2016 (Date of incorporation)	—	—	—
Issuance of shares pursuant to a group Reorganisation (Note i)	20,464,772	—	20,464,772
Issuance of shares pursuant to capitalisation	(3,599,999)	—	(3,599,999)
Share issued under share offer	75,600,000	—	75,600,000
Listing expenses charged to share premium	(6,663,024)	—	(6,663,024)
Loss for the period	—	(11,628,482)	(11,628,482)
At 31 December 2016	85,801,749	(11,628,482)	74,173,267
Loss for the year	—	(3,038,603)	(3,038,603)
At 31 December 2017	85,801,749	(14,667,085)	71,134,664

Note (i):

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 34 Benefits and Interests of Directors

### (a) Directors' emoluments

The remuneration of every director for the year ended 31 December 2017 is set out below:

	Fees HK\$	Salaries HK\$	Discretionary bonus HK\$	Housing allowance HK\$	Employer's contribution to a retirement benefit scheme HK\$	Total HK\$
<b>Executive directors</b>						
Mr. Yau Chung Ping (Note 1)	—	1,440,000	—	—	36,000	1,476,000
Ms. Sz Kit (Note 2)	—	510,968	—	—	19,161	530,129
Ms. Wu Kar Wai (Note 3)	—	111,759	—	—	3,484	115,243
Mr. Lam Chung Ho, Alastair (Note 7)	—	113,754	—	—	5,688	119,442
Mr. Wong Kang Man (Note 10)	—	212,705	—	—	2,836	215,541
<b>Independent non-executive directors</b>						
Ms. Lee Hau Yan, Hannah (Note 6)	237,206	—	—	—	—	237,206
Mr. Tse Chi Shing (Note 9)	232,768	—	—	—	—	232,768
Mr. Kloeden Daniel Dieter (Note 8)	113,754	—	—	—	—	113,754
Mr. Lau Chun Wah Davy (Note 5)	127,097	—	—	—	—	127,097
Mr. Neo Sei Lin Christopher (Note 4)	8,548	—	—	—	—	8,548
Mr. Tse Wai Hei (Note 11)	21,042	—	—	—	—	21,042
	740,415	2,389,186	—	—	67,169	3,196,770

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

	Fees HK\$	Salaries HK\$	Discretionary bonus HK\$	Housing allowance HK\$	Employer's contribution to a retirement benefit scheme HK\$	Total HK\$
<b>Executive directors</b>						
Mr. Yau Chung Ping (Note 1)	—	1,133,243	—	—	36,000	1,169,243
Ms. Sz Kit (Note 2)	—	819,302	—	—	36,000	855,302
Ms. Wu Kar Wai (Note 3)	—	435,473	—	—	15,259	450,732
<b>Independent non-executive directors</b>						
Mr. Neo Sei Lin, Christopher (Note 4)	141,397	—	—	—	—	141,397
Mr. Lau Chun Wah, Davy (Note 5)	130,521	—	—	—	—	130,521
Ms. Lee Hau Yan, Hannah (Note 6)	141,397	—	—	—	—	141,397
	413,315	2,388,018	—	—	87,259	2,888,592

## 34 Benefits and Interests of Directors (Continued)

### (a) Directors' emoluments (Continued)

- Note 1: Mr. Yau Chung Ping was appointed as executive directors of the Company on 1 February 2016.
- Note 2: Ms. Sz Kit was appointed as executive directors of the Company on 1 February 2016 and resigned on 12 July 2017.
- Note 3: Ms. Wu Kar Wai was appointed as executive directors of the Company on 25 February 2016 and resigned on 10 March 2017.
- Note 4: Mr. Neo Sei Lin, Christopher was appointed as Independent non-executive directors of the Company on 15 June 2016 and resigned on 12 January 2017.
- Note 5: Mr. Lau Chun Wah, Davy was appointed as Independent non-executive directors of the Company on 15 June 2016 and resigned on 12 July 2017.
- Note 6: Ms. Lee Hau Yan, Hannah was appointed as Independent non-executive directors of the Company on 15 June 2016 and resigned on 30 November 2017.
- Note 7: Mr. Lam Chung Ho, Alastair was appointed as executive directors of the Company on 12 July 2017.
- Note 8: Mr. Kloeden Daniel Dieter was appointed as Independent executive directors of the Company on 12 July 2017.
- Note 9: Mr. Tse Chi Shing was appointed as Independent executive directors of the Company on 12 January 2017.
- Note 10: Mr. Wong Kang Man was appointed as Independent executive directors of the Company on 10 March 2017 and re-designated to executive director on 6 November 2017.
- Note 11: Mr. Tse Wai Hei was appointed as Independent executive directors of the Company on 30 November 2017.

### (b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the financial year (2016: Nil).

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

During the year ended 31 December 2017, the Company does not pay consideration to any third parties for making available directors' services (2016: Nil).

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

As at 31 December 2017, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors (2016: Nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 34 Benefits and Interests of Directors (Continued)

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the financial year (2016: Nil).

## FOUR YEARS FINANCIAL SUMMARY

### Results

	Year ended 31 December 2017 HK\$'000	Year ended 31 December 2016 HK\$'000	Year ended 31 December 2015 HK\$'000	Year ended 31 December 2014 HK\$'000
Revenue	<b>118,688</b>	87,588	84,512	51,158
Profit/(Loss) before income tax	<b>3,488</b>	(6,534)	18,269	7,069
Income tax expenses	<b>(1,268)</b>	(1,295)	(2,975)	(1,162)
Profit/(Loss) attributable to the owners of the Company for the year	<b>2,450</b>	(7,829)	15,294	5,907
Total comprehensive income/(loss) attributable to the owners of the Company for the year	<b>2,849</b>	(7,807)	15,294	5,907

### Assets and Liabilities

	Year ended 31 December 2017 HK\$'000	Year ended 31 December 2016 HK\$'000	Year ended 31 December 2015 HK\$'000	Year ended 31 December 2014 HK\$'000
Total assets	<b>129,024</b>	108,076	41,145	29,143
Total liabilities	<b>40,633</b>	22,281	23,592	21,384
Net assets	<b>88,391</b>	85,795	17,553	7,759
Non-controlling interests	<b>253</b>	—	—	—
Equity attributable to owners of the Company for the year	<b>88,644</b>	85,795	17,553	7,759

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