AL GROUP LIMITED
利駿集團(香港)有限公司

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

Stock Code 股份代號：8360

AL Group

Your Space Matters™

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ANNUAL REPORT
年度報告 2018

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

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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. Tse Wai Hei
Mr. Tam Chak Chi

Audit Committee

Mr. Tse Chi Shing *(Chairman)*
Mr. Tse Wai Hei
Mr. Tam Chak Chi

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. Tam Chak Chi

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

CCTH CPA Limited

Compliance Adviser

VBG Capital Limited

Principal Bankers

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

Stock Code

8360

Company Website

www.AL-Grp.com

CEO's STATEMENT

> With our listing behind us, our revenue and number of projects hit the record highs. In view of the keen competition in the market, we will explore the opportunities for new line of business and expand our core business into different markets. We continue to leverage on our competitive advantages to strengthen our market position, improve the quality of our services and enhance the overall operational performance of the Group.

Dear Shareholders,

On behalf of the board of directors (the "Board") of AL Group Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018 (the "Year").

In 2018, the global economic environment encountered full of challenges and uncertainties, which impacted the overall business conditions and increased volatility in the financial market in Hong Kong. Due to keen competition in the market, additional subcontracting costs incurred for certain projects, increase in operating expenses and finance cost, loss on change in fair value of financial assets at fair value through profit or loss and impairment provision for interests in associates, the Group reported an attributable loss for the Year. Despite of these factors mentioned above, along with our listing behind us, our revenue hit the record high for the third consecutive year and number of projects hit another record high since 2015. Looking forward, we endeavor to continue to strengthen our market position, deliver more values to our customers and optimise productivity and efficiency.

Business and Financial Review

For the Year, our total revenue amounted to approximately HK$162.4 million, which represented an increase of approximately 36.9% over 2017. Excluding projects relating to maintenance and aftersales service, our number of projects for the Year increased by 27.1% over 2017. All these experienced double-digit growth over 2017. As a result, the average revenue per project (excluding projects relating to maintenance and aftersales service) increased by approximately 8.6% over 2017 to approximately HK$2.65 million.

Our gross profit for the Year amounted to approximately HK$19.6 million, representing a decrease of approximately 37.0% over 2017. Gross profit margin in 2018 decreased from approximately 26.2% in 2017 to approximately 12.1%. It was mainly due to keen competition in the market and more sizable projects continued to contribute revenue in 2018, while these projects had incurred additional subcontracting costs and resulted in a lower profit margin. However, the sizable projects enhanced our reputation, maintained a competitive advantage in the market and achieved our business growth.

The Group recorded a loss attributable to owners of the Company of approximately $35.2 million for the Year, when compared to a profit attributable to owners of the Company of approximately HK$2.5 million for 2017. Besides the effects of the increased operating expenses and decline in the overall gross profit margins earned from our projects, the loss for the Year was primarily attributable to the loss on change in fair value of financial assets at fair value through profit or loss, impairment provision for interests in associates and increase in finance cost due to the issue of the promissory note by the Group in June 2018.

The Group continued to be awarded projects in 2019 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 2019 and beyond. As at the date of this report, our Group has secured a number of projects with total project sum of approximately HK$90.5 million for which no work has commenced prior to 31 December 2018.

In addition, in June 2018, the Group completed the acquisition of 49% interest of Primo Group (BVI) Limited ("Primo"), which is principally engaged in the provision of interior design and fit out solutions, focusing on luxury residential, office and commercial segments in Hong Kong. We believe that the acquisition enables us to capture the growth in different property sector and will contribute a stable return to the Group over the long run.

Social Responsibilities and Corporate Branding

On top of business, we believe that returning society through social participation and contribution is a form of showing corporate citizenship. We are delighted that our staffs are inspired towards social concerns and green initiatives in their daily work life. During the year, the Group continued to support the community activities such as donation to The Hong Kong Polytechnic University with two scholarships for the School of Design, contribution to the charity activities of Tung Wah Group of Hospitals and support our staffs and their families to participate in the "Walk for Sight" walkathon organised by Orbis. Furthermore, we are glad that the Group was awarded the "Caring Company" logo by The Hong Kong Council of Social Service, "Happy Company" label granted by the Promoting Happiness Index Foundation and "Green Office Awards Labelling Scheme (GOALS)" by World Green Organisation, for being recognised as a socially-responsible company.

Future Prospects

In view of the keen competition in the market, we will explore the opportunities for new line of business and expand our core business into different markets. With our listing and the strategic investments behind us, we continue to leverage on our competitive advantages to strengthen our market position, improve the quality of our services and enhance the overall operational performance of the Group.

Appreciation

Business growth would not be accomplished without the efforts of each of our staffs as well as our business partners for their contribution and commitment. I would like to take this opportunity to extend my sincere gratitude to our dedicated management team members and staffs for their tremendous effort throughout the year. I would also like to thank our loyal customers, suppliers, shareholders and other stakeholders for their continued support and trust. Looking forward, we will continue to seek for opportunities to sustain the growth and strengthen our corporate reputation to create more long-term values to the shareholders.

AL Group Limited
Yau Chung Ping
Chief Executive Officer and executive Director

Hong Kong, 22 March 2019

Market Overview

As announced by the Chief Executive of Hong Kong Special Administrative Region of the People's Republic of China in her 2018 Policy Address, the revitalisation scheme for industrial buildings is reactivated to provide new incentives to the owners to convert old industrial buildings, and allow the provision of transitional housing within revitalised industrial buildings. On 1 February 2019, the Development Bureau announced that the owners are permitted to put individual units of industrial buildings, for an initial five-year period, to the following five specific non-industrial uses, without any temporary waiver or fee. These include: art studios, office (audio-visual recording studio), office (design and media production), office (used by "specified creative industries"), and research, design and development centre.

In view of the reactivation of the revitalisation scheme for industrial buildings and continued trend in flexible workspace over the last couple of years, our management remains positive about the interior design and fit out industry in Hong Kong in near future.

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. In November 2017, the Group acquired 60% interest of Ace Architectural and Interior Design Limited ("ACE"), which is also engaged in the provision of interior design and fit out solutions. In June 2018, the Group completed the acquisition of 49% interest of Primo, which is principally engaged in the provision of interior design and fit out solutions, focusing on luxury residential, office and commercial segments 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 2018, the revenue increased by approximately 38.1%, and our number of projects increased by 27.1% over 2017. As a result, the average revenue per project has increased by approximately 8.6% over 2017 to approximately HK$2.65 million.

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 respectively and their comparative figures:

In terms of Number of Projects*

	For the year ended 31 December		
	2018	2017	Change
Design and fit out/Design only			
Office	**43**	37	16.2%
Commercial	**11**	2	450.0%
Residential	**7**	9	-22.2%
Total	**61**	48	27.1%

In terms of Revenue*

	For the year ended 31 December		
In HK$' million	2018	2017	Change
Design and fit out/Design only			
Office	**96.7**	101.7	-4.9%
Commercial	**51.0**	5.0	920.0%
Residential	**14.0**	10.4	34.6%
Total	**161.7**	117.1	38.1%

Average Revenue per Project*

	For the year ended 31 December		
In HK$' million	2018	2017	Change
Revenue	**161.7**	117.1	38.1%
Number of projects	**61**	48	27.1%
Average revenue per project	**2.65**	2.44	8.6%

* excluding those relating to maintenance and aftersales service

The Group continued to be awarded projects in 2019 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 2019 and beyond. As at the date of this report, our group has secured a number of projects with total project sum of approximately HK$90.5 million for which no work has commenced prior to 31 December 2018.

In view of the keen competition in the market, the Group will explore the opportunities for new line of business and expand the core business into different markets. With the listing and the strategic investments behind, the Group continue to leverage on the competitive advantages to strengthen the market position, improve the quality of the services and enhance the overall operational performance. The Group will continue to seek for opportunities to sustain the growth and strengthen the corporate reputation to create more long-term values to the shareholders.

Financial Overview

In HK$' million	For the year ended 31 December 2018	2017
Revenue	**162.4**	118.7
Gross Profit (Note 1)	**19.6**	31.2
Gross Profit Margin	**12.1%**	26.2%
Adjusted EBITDA (Note 2)	**(13.6)**	4.6
(Loss)/Profit for the year attributable to owners of the Company	**(35.2)**	2.5

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

Note 2: The Group's adjusted EBITDA represents earnings or losses before finance interest income and cost, other gains/losses, income tax, depreciation of property, plant and equipment and share of profit less loss of associate. While adjusted 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 adjusted EBITDA may not be comparable to similarly-titled measures of other companies.

For the year ended 31 December 2018, the Group achieved a substantial growth in revenue over 2017.The Group's revenue amounted to approximately HK$162.4 million, representing an increase of approximately 36.9% over 2017.

The Group's gross profit for the Year amounted to approximately HK$19.6 million, representing a decrease of approximately 37.0% over 2017. Gross profit margin decreased from approximately 26.2% to approximately 12.1%, which was mainly due to keen competition in the market and more relatively larger projects (with individual contract sum over HK$5 million) continued to contribute revenue in 2018, while the projects incurred additional subcontracting costs and resulted in a lower profit margin. However, the relatively larger projects enhanced the Group's reputation, maintained a competitive advantage in the market and achieved our business growth.

The Group's total operating expenses(Note 3) for the Year were approximately HK$35.1 million when compared to approximately HK$28.0 million in 2017. The increase in total operating expenses was mainly due to: (i) increase in staff costs as a result of salary increments, increase in staff benefits and incentives as the Group continues to hire and retain the best available talents; and (ii) increase in provision of impairment loss on trade receivables.

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

For the year ended 31 December 2018, the Group's adjusted EBITDA amounted to approximately HK$-13.6 million as compared to approximately HK$4.6 million for 2017, driven by the increased operating expenses mentioned above as well as the decline in the overall gross profit margin for the Group's business. The Group recorded a loss attributable to owners of the Company of approximately HK$35.2 million for the Year when compared to a profit attributable to owners of the Company of approximately HK$2.5 million for 2017. Besides the effects of the increased operating expenses and decline in the overall gross profit margin mentioned above, the loss for the Year was primarily attributable to the loss on change in fair value of financial assets at fair value through profit or loss, impairment provision for interests in associates and increase in finance cost due to the issuance of the promissory note by the Group in June 2018.

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 of the Company dated 29 June 2016 (the "Prospectus") and the Group's actual business progress up to 31 December 2018:

Business Plan	Actual Business Progress up to 31 December 2018
— Recruiting high caliber talents and enhancing company strength	— The Group had hired several senior management members and 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. — The Group had replaced the computer equipment and upgraded the finance and design software.
— Developing a new line of business and financing potential business collaboration and/or acquisition of companies	— The Group had hired a senior management member dedicated to the planning and execution of our Group's business expansion. Since 2016, the Group had made a few business trips to pitch for new business opportunities. — On 6 November 2017, the Group acquired 60% interest of ACE as a result ACE is a non-wholly subsidiary of the Group. — On 20 June 2018, the Group completed the acquisition of 49% interest of Primo.

Business Plan	Actual Business Progress up to 31 December 2018
— Expanding market coverage	— 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 for our customers.
	— The executive director of the Group had been the professional members of Hong Kong Interior Design Association and International Interior Design Association, as well as the associated member of International Facility Management Association since 2017 in order to expand the reach of potential customers.
	— Upon acquisition of 49% interest of Primo, Primo brought synergy to the Group to gain wider exposure in different property sectors such as luxury residential and commercial segments and strengthened the Group's market position in the industry.
— Capturing larger design and fit out projects	— Since 2017, the Group had paid out start-up costs to capture new larger design and fit out projects.
— Increasing the effectiveness of marketing and brand recognition	— The Group had advertised in interchange subways, office/commercial buildings TV network to increase public awareness. The Group had also made donations to various charitable organizations to enhance its corporate image.
	— Since 2017, the Group had been awarded numerous corporate awards from World Green Organisation, Hong Kong Management Association and Hong Kong Council of Social Service to promote our brand.

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.

Due to the recent acquisitions of new companies in November 2017 and June 2018, the Company has been prudently formulating the future business strategies within the Group. Accordingly, the Company has adopted a more conservative approach and shall postpone the utilisation of the remaining proceeds. The Directors shall continue to pitch out for expanding the market coverage and develop effective marketing strategies for the Group as and when appropriate and consider such postponement in use of listing proceeds is in the interests of the Company and the shareholders as a whole.

As at 31 December 2018, the Group does not anticipate any change to the plan as to the use of listing proceeds. The unutilised net proceeds have been placed in the licensed banks in Hong Kong.

As at 31 December 2018, 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%	15,225	—
Developing a new line of business and financing potential business collaboration and/or acquisition of companies	13,587	24%	13,587	—
Expanding market coverage	10,788	19%	9,877	911
Capturing larger design and fit out projects	6,840	12%	6,840	—
Increasing the effectiveness of marketing and brand recognition	4,860	8%	1,927	2,933
General working capital	5,700	10%	5,700	—
Total	57,000	100%	53,156	3,844

Liquidity, Financial Resources and Capital Structure

The Group practiced prudent financial management and maintained a strong and sound financial position during the Year. As of 31 December 2018, the Group had cash and cash equivalents of approximately HK$20.7 million (31 December 2017: approximately HK$57.9 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.8 times as at 31 December 2018 (31 December 2017: approximately 2.9 times).

As at 31 December 2018, the Group had total liabilities of approximately HK$105.3 million (31 December 2017: approximately HK$40.6 million) which mainly comprise of trade and other payables, contract liabilities, and borrowings amounting to approximately HK$59.9 million (31 December 2017: approximately HK$40.6 million) and promissory note payable of approximately HK$45.4 million (31 December 2017: Nil).

As at 31 December 2018, the gearing ratio, expressed as a percentage of non-current debt over net assets was approximately 66.9% (31 December 2017: Nil). The change in gearing ratio was mainly resulted by the issue of promissory note for the acquisition of Primo.

The shares of the Company were listed on the GEM Board of the Stock Exchange on 12 July 2016. As at 31 December 2018, the Company's total number of issued shares was 595,000,000 (31 December 2017: 480,000,000) at HK$0.01 each. 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, borrowings 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 any 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 2018.

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

Pledge of Assets

As at 31 December 2018, the Group did not have any pledged assets (31 December 2017: Nil).

Contingent Liabilities and Capital Commitments

The Group did not have any significant contingent liabilities and capital commitments as at 31 December 2018 (31 December 2017: 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 2018.

Significant Investments Held

As at 31 December 2018, the Group held approximately HK$5.4 million of equity investments which were classified as financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, and interests in associates amounting to approximately HK$61.1 million. Details of the significant equity investments are as follows:

	Notes	Place of incorporation	Loss on change in fair value HK$'000	Market value HK$'000	Approximate percentage of equity investment %	Approximate percentage to the total asset %
HSBC Holdings plc	1	England	(366)	1,604	29.7	0.9
Dingyi Group Investment Limited	2	Bermuda	(1,620)	1,879	34.8	1.1
Chinese Strategic Holdings Limited	3	Bermuda	(2,252)	1,711	31.7	1.0
Gain Plus Holdings Limited	4	Cayman Islands	(131)	202	3.8	0.1
			(4,369)	5,396	100	3.1

Notes:

1. HSBC Holdings plc (HSBC) is the banking and financial services company. Dividend of HK$95,531 was received during the year. According to the latest published consolidated financial statements of HSBC Holdings plc, it had net asset value of approximately US$194,249 million.

2. Dingyi Group Investment Limited is principally engaged in sale of food and beverages, loan financing, financial leasing, securities trading and properties development. No dividend was received during the year. According to the latest published consolidated financial statements of Dingyi Group Investment Limited, it had an unaudited net asset value of approximately HK$1,395,971,000.

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 an unaudited net asset value of approximately HK$437,747,000.

4. Gain Plus Holdings Limited is principally engaged in provision of building construction services and repair, maintenance, addition and alteration (RMAA) services in Hong Kong. No dividend was received during the year. According to the latest published consolidated financial statements of Gain Plus Holdings Limited, it had an unaudited net asset value of approximately HK$138,072,000.

   Subsequent to the Year, the Company acquired on-market 1,444,000 shares of Gain Plus Holdings Limited in a series of transactions at the price of HK$1.09 per share for an aggregate purchase price of approximately HK$1,573,960 (exclusive of transaction costs). Please refer to the Company's announcement dated 25 February 2019 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.

Save as disclosed herein and except for investment in subsidiaries, the Group did not have any significant investment in equity interest as at 31 December 2018.

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 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 acquisition was completed on 20 June 2018 and the consideration was 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. Please refer the Company's circular dated 25 May 2018 and poll results of the extraordinary general meeting announcement dated 12 June 2018 for details.

Save as disclosed herein, the Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2018.

Employees and Remuneration Policies

As at 31 December 2018, the Group had 43 employees (31 December 2017: 49 employees), including the Directors. Total staff costs (including Directors' emoluments) were approximately HK$20.3 million for the Year as compared to approximately HK$17.6 million for the year ended 31 December 2017. Such increase was mainly due to the adjustment in 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

On 25 February 2019, the Company acquired on-market 1,444,000 shares of Gain Plus Holdings Limited in a series of transactions at the price of HK$1.09 per share for an aggregate purchase price of approximately HK$1,573,960 (exclusive of transaction costs). Please refer to the Company's announcement dated 25 February 2019 for details.

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 2018.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT

Executive Directors

Mr. Yau Chung Ping ("Mr. Yau"), formerly known as Yau Yuk Ping, aged 47, 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 one of the substantial shareholders. 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 27 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. Over the 19 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 and "2016 Asian Chinese Leadership Award" from the Asian College of Knowledge Management.

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 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 2011 and 19 December 2016.

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.

Mr. Wong Kang Man ("Mr. Wong"), aged 35, 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 11 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 35, 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 30 June 2017, Mr. Tse has been appointed as the chief financial officer and company secretary of KOALA Financial 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. Tse Wai Hei ("Mr. Tse W.H."), aged 48, was 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 30 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.

Mr. Tam Chak Chi ("Mr. Tam"), aged 41, was appointed as an independent non-executive Director of the Company on 28 September 2018. He is a member of audit committee and nomination committee.

Mr. Tam has more than 16 years of experience in providing accounting, auditing and financial services and has served various senior positions at various private and listed companies. He was previously an independent non-executive director of Newtree Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1323) and the chief financial officer and company secretary of a company listed on the GEM of the Stock Exchange. Further, he is currently an independent non-executive director of Wealth Glory Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8269) and an executive director of My Heart Bodibra Group Limited, a company listed on the GEM of the Stock Exchange (stock code: 8297), and a financial consultant of various private companies.

Mr. Tam holds a bachelor's degree of commerce from the University of Toronto. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong and a member of the American Institute of Certified Public Accountants.

Senior Management

Ms. Sz Kit ("Ms. Sz"), aged 48, is a co-founder of the Group. She was appointed as the director, Projects 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 25 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 19 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.

Ms. Lau Yee Nga, Angela ("Ms. Lau"), aged 44, 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.

Ms. Chan Choi Yi ("Ms. Chan"), aged 49, 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.

Mr. Mok Tsz Chiu Peter ("Mr. Mok"), aged 43, 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 16 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.

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 2018.

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 8 to 17 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 keyscope 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	

A separate environmental, social and governance report is expected to be published on the website of the Stock Exchange and the Company no later than 3 months after the publication of this report.

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;

— 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 profit or loss and other comprehensive income on page 59.

The Directors did not recommend the payment of a final dividend to shareholders of the Company for the Year (2017: Nil).

Five Years Financial Summary

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 136. 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 2018 are set out in note 30 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 acquisition was completed on 20 June 2018 and the consideration was 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. Please refer to the Company's circular dated 25 May 2018 and poll results of the extraordinary general meeting announcement dated 12 June 2018 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 2018. 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 2018.

Distributable Reserves

As at 31 December 2018, 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$74.2 million (2017: HK$71.1 million). Details of the movement in reserve during the Year are set out in note 39 to the Consolidated Financial Statements.

Donations

During the Year, charitable and other donations made by the Group amounted to HK$40,000 (2017: HK$125,700).

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	9%
—	five largest suppliers in aggregate	30%
Sales		
—	the largest customer	23%
—	five largest customers in aggregate	62%

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.

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)*
Mr. Wong Kang Man

Independent Non-executive Directors:

Mr. Tse Chi Shing
Mr. Kloeden Daniel Dieter (resigned on 28 September 2018)
Mr. Tse Wai Hei
Mr. Tam Chak Chi (appointed on 28 September 2018)

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, 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. Tse Wai Hei, and Mr. Tam Chak Chi being all Directors of the Company, shall retire from office at the forthcoming annual general meeting to be held on 14 May 2019 (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.

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 18 to 21 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 2018 interim report of the Company were as follows:

On 28 September 2018, the changes of information of Directors were as follows:

Mr. Kloeden Daniel Dieter has tendered his resignation as an independent non-executive Director of the Company. Subsequent to his resignation, Mr. Kloeden has ceased as the member for each of the audit committee and the nomination committee.

Mr. Tam Chak Chi has been appointed as an independent non-executive Director and the member for each of the audit committee and the nomination committee of the Company with an annual Director's fee of HK$240,000.

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 2018 interim report.

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 32 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.

Connected/Related Parties Transactions

Details of the related parties transactions undertaken in the normal course of business are set out in note 38 to the Consolidated Financial Statements. None of them constitutes a discloseable connected transaction or continuing connected transaction under Chapter 20 of the GEM Listing Rules.

Non-competition 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 during 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 during 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.

As at 31 December 2018, 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 2018 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 2018, 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 [Note]	—	—	144,004,000	144,004,000	—	144,004,000	24.2%

Note:

The 144,004,000 shares are beneficially held by 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.

(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 2018, 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 2018, 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	24.2%
Mr. Yau Chung Ping	Interest in controlled corporation	144,004,000	24.2%
Climb Up Limited	Beneficial owner	115,000,000	19.3%
Mr. Wong Yu Ki Andy	Interest in controlled corporation	115,000,000	19.3%
Mr. Lam Lesile	Interest in controlled corporation	115,000,000	19.3%

Save as disclosed above, as at 31 December 2018, 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.

Directors' Interests in Competing Business

During the Year, none of the directors 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, 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 2018.

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 34 to 49 in this annual report.

Closure of the Register of Members

The Register of Members of the Company will be closed from 8 May 2019 to 14 May 2019 (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 2019.

Auditor

CCTH CPA Limited was appointed as the auditors of the Group with effect from 7 August 2018 to fill the causal vacancy arising from the resignation of PricewaterhouseCoopers and to hold office until the conclusion of the next AGM.

The Consolidated Financial Statements have been audited by CCTH CPA Limited, 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, 22 March 2019

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)*
Mr. Wong Kang Man

Independent Non-executive Directors

Mr. Tse Chi Shing
Mr. Kloeden Daniel Dieter (resigned on 28 September 2018)
Mr. Tse Wai Hei
Mr. Tam Chak Chi (appointed on 28 September 2018)

On 28 September 2018, Mr. Kloeden Daniel Dieter resigned as an independent non-executive Director as he needs to devote more time on his personal and other business commitments.

On 28 September 2018, the Company announced that Mr. Tam Chak Chi 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 18 to 21. 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.

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 2018, a total of four 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.

Directors' Attendance at Board/Board Committee/General Meetings

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

	Board Meeting	General Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
Executive Directors					
Mr. Yau Chung Ping	4/4	2/2	N/A	2/2	N/A
Mr. Lam Chung Ho, Alastair	4/4	1/2	N/A	N/A	1/1
Mr. Wong Kang Man	4/4	1/2	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Tse Chi Shing	3/4	1/2	4/4	2/2	1/1
Mr. Tse Wai Hei	4/4	1/2	4/4	2/2	N/A
Mr. Tam Chak Chi (note 1)	1/1	N/A	1/1	N/A	1/1
Mr. Kloeden Daniel Dieter (note 2)	3/3	0/2	3/3	N/A	N/A

Note 1: Appointed on 28 September 2018

Note 2: Resigned on 28 September 2018

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). 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.

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 2018, all directors have participated in continuous professional development, by attending conferences, seminars and inhouse briefing, and reading materials relevant to their duties, responsibilities and the Group's business.

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 was amended on 31 December 2018 and 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.

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)*
Mr. Kloeden Daniel Dieter (resigned on 28 September 2018)
Mr. Tse Wai Hei
Mr. Tam Chak Chi (appointed on 28 September 2018)

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;

— recommended the re-appointment of PricewaterhouseCoopers (the "PwC") as auditors, subject to the Shareholders' approval at the annual general meeting;

— reviewed and approved audit fee;

— made recommendation to the Board on the appointment of CCTH CPA Limited as auditors to fill the causal vacancy arising from the resiqnation of PwC;

— 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.

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)*
Mr. Tse Wai Hei

During the Year, the remuneration committee held two meetings. 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 was amended on 31 December 2018 and 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, establishing and reviewing the diversity policy on the Board members, making disclosure of a Summary of the Board Diversity Policy and its review results in the corporate governance report annually and making recommendations to the Board on appointment and re-appointment of Directors.

The composition of the nomination committee is as follows:

Executive Director:
Mr. Lam Chung Ho, Alastair *(Chairman)*

Independent non-executive Directors:
Mr. Tse Chi Shing
Mr. Kloeden Daniel Dieter (resigned on 28 September 2018)
Mr. Tam Chak Chi (appointed on 28 September 2018)

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 the board diversity policy;

— 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 Nomination Policy

The Company adopted a nomination policy for the nomination committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the nomination committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Nomination Procedure

The nomination committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required.

The nomination committee utilises various methods for identifying director candidates, including recommendations from Board members, management, and professional search firms. All director candidates, including incumbents and candidates nominated by Shareholders are evaluated by the nomination committee based upon the director qualifications. While director candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The nomination committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's business.

Selection Criteria

The nomination committee will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and its Shareholders.

The Company shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

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.

The nomination committee has monitored the implementation of the board diversity policy since its adoption, and also reviewed it on an annual basis to ensure its effectiveness.

For the purpose of implementation of the board diversity policy, the following measurable objectives were adopted:

1. at least one-third of the members of the Board shall be independent non-executive Directors; and

2. at least one of the members of the Board shall have obtained accounting or other professional qualifications.

The Board has achieved the measurable objectives in the board diversity policy.

As at the date of this Annual Report, the Board comprises six Directors. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

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.

Policy on Payment of Dividends

The Company adopted a policy on payment of dividends (the "Dividend Policy"), which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to Shareholders after considering the Company's ability to pay dividends, which will depend upon, among other things, its actual and expected financial results, cash flow, general business conditions and strategies, current and future operations, statutory, contractual and regulatory restrictions and so on. The Board has complete discretion on whether to pay a dividend, subject to Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

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.

Accountability and Audit

Financial Reporting

The Board acknowledges its responsibility for the preparation of the Consolidated Financial Statements for the year ended 31 December 2018 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 50 to 58 of the Consolidated Financial Statements.

External Auditor's Remuneration

During the Year, the Company engaged CCTH CPA Limited as the external auditor. The fee in respect of audit services and non-audit services provided by CCTH CPA Limited for the year ended 31 December 2018 amounted to HK$890,000 and HK$150,000 respectively. The fee in respect of non-audit services provided by PricewaterhouseCoopers for the Year amounted to HK$87,462.

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.

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.

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. 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.

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.

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. 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 Tuesday, 14 May 2019. 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, 22 March 2019

CCTH CPA LIMITED
中正天恆會計師有限公司

TO THE SHAREHOLDERS OF
AL GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of AL Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 59 to 135, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2018, 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 ("HKSAs") 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Matter	How our audit addressed the key audit matter
Recognition of contract revenue *Refer to note 5 to the consolidated financial statements*	
The Group recorded revenue from design and fit out services for the year ended 31 December 2018 of HK$161 million. Revenue are recognised according to the stage of completion of individual contracts, calculated on the proportion of total costs at the year end 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. We have identified the recognition of contract revenue as key audit matter as management judgment 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.	Our procedures in relation to management's recognition of contract revenue included: We obtained an understanding of the basis and judgments of management for contract revenue recognition. We selected, on a sample basis, design and fit out contracts and: • Checked the terms and conditions of the selected contracts to facilitate our understanding of the respective work nature and contractual relationship with the customers. • Checked 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.

Key Audit Matter	How our audit addressed the key audit matter
	• Assessed 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. • Considered 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.
Impairment assessment of trade receivables *Refer to note 21 to the consolidated financial statements*	
The Group had gross trade receivables of approximately HK$29.2 million that were past due as at 31 December 2018 with impairment loss of approximately HK$4.3 million recognised up to that date. 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. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.	Our procedures in relation to management's impairment assessment on trade receivables as at 31 December 2018 included: • We obtained an understanding of the key controls that the Group has implemented to manage and monitor its credit risk; • We made enquiry of management regarding the status of each of the significant trade receivables past due as at year end, the Group's on-going business relationship with the relevant customers and past repayment history of the customers.

Key Audit Matter	How our audit addressed the key audit matter
We focused on this area due to the magnitude of the trade receivables past due as at 31 December 2018 and the impairment assessment of trade receivables under the expected credit losses model involved significant management judgments and estimates.	• We checked, on a sample basis, the ageing analysis of the trade receivables as at 31 December 2018 to the underlying financial records; • We assessed the subsequent settlement of receivable balances. Where settlement had not been received subsequent to the year end date, we obtained an understanding of the basis of management's judgments about the recoverability of the outstanding receivables and evaluate the allowance for doubtful debts made by management for these individual balances. • We corroborated explanations from management with supporting evidence, such as correspondence with customers, public search of the customers' profiles as we evaluated management's judgments. • We assessed the appropriateness of the expected credit loss positioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit loss.

Key Audit Matter	How our audit addressed the key audit matter

Recognition of acquisition of associates

Refer to note 17 to the consolidated financial statements

Key Audit Matter	How our audit addressed the key audit matter
During the year, the Group acquired 49% equity interest in associates, Primo Group (BVI) Limited ("Primo") and its subsidiary. The consideration for the acquisition was satisfied by the issue by the Company of (i) 115,000,000 new ordinary shares and (ii) promissory note payable with the principal amount of HK$57,405,000. In determining the cost of the acquisition, management reviewed in details the fair value of the new shares by reference to the Company's share prices and the fair value of the promissory note as valued by an external valuer. We have identified the recognition of acquisition of the interests in associates as a key audit matter as the magnitude of the cost of acquisition is significant and the basis on which the fair value of the new shares and promissory note issued were estimated involves judgments and assumptions.	Our procedures in relation to recognition of acquisition of associates included: • We obtained the basis and calculation of the cost of acquisition of associates prepared by management. • We checked the terms of the related agreement for the acquisition of the associate and the documents relating to the completion of the acquisition to confirm the Group's ownership interest in the associate. • We assessed the fair value of the new shares of the Company issued for the acquisition by reference to the market price of the Company's share at the date of issue. • We evaluated the independence, competence, capabilities and objectivity of the external valuer regarding the valuation of the promissory note issued for the acquisition of the associate. • We assessed the valuation methodology used by the management and the external valuer to estimate the fair value of the promissory note. • We considered whether or not the accounting treatment of the acquisition of the associates is appropriate.

Key Audit Matter	How our audit addressed the key audit matter
Impairment assessment for interests in associates *Refer to note 17 to the consolidated financial statements*	
As at 31 December 2018, the cost of the Group's investment in the associates, Primo and its subsidiary, is HK$73.5 million. Following the revision of future profitability of the business undertaken by the associates, management of the Group conducted impairment assessment of the interests in associates and impairment loss amounted to HK$12.3 million has been recognised for the year, which is calculated based on the recoverable amount of the investment, determined on value in use basis by reference to the valuation conducted by an external valuer. We focused on the impairment assessment of the cost of the Group's investment in the associates as the magnitude of the investment is significant and management assessment of the recoverable amount of the investment involves judgments and estimates about the future results of the associates, key assumptions including revenue growth rate and gross profit margin and the discount rates applied to future cash flow forecast.	Our procedures in relation to management's impairment on interest in associates included: • We evaluated the independence, competence, capabilities and objectivity of the external valuer regarding the valuation of the Group's investment in associate. • We evaluated and challenged the composition of the associates' future cash flow forecasts, and the process by which they were drawn up, including testing the underlying value in use calculation. • We challenged the key assumptions including revenue growth rate and gross profit margin by comparing the current year's actual results with future plans, and the outlook for the industry. We considered the appropriateness of the discount rates adopted by management. • We checked the calculation of the impairment loss recognised on the investment in associates to assess the appropriateness of the impairment loss made in the consolidated financial statements.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements on 23 March 2018.

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.

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 HKSAs 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 HKSAs, 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.

- 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.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 22 March 2019

Ng Kam Fai
Practising certificate number P06573

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK$	2017 HK$
Revenue	5	**162,433,457**	118,688,107
Other income	6	**266,346**	212,336
Other losses, net	7	**(21,370,762)**	(305,491)
Subcontracting and materials costs		**(142,793,536)**	(87,537,077)
Employee benefit expenses	8	**(20,268,723)**	(17,637,627)
Rental expenses		**(2,401,010)**	(2,037,807)
Other expenses	9	**(12,472,163)**	(8,288,423)
Operating (loss)/profit		**(36,606,391)**	3,094,018
Finance income	10	**50,925**	394,429
Finance costs	11	**(1,439,511)**	—
Share of loss of associates		**(50,292)**	—
(Loss)/profit before income tax		**(38,045,269)**	3,488,447
Income tax credit/(expense)	12	**59,710**	(1,267,509)
(Loss)/profit for the year		**(37,985,559)**	2,220,938
(Loss)/profit for the year attributable to:			
Owners of the Company		**(35,158,469)**	2,450,328
Non-controlling interests		**(2,827,090)**	(229,390)
(Loss)/profit for the year		**(37,985,559)**	2,220,938
(Loss)/profit for the year		**(37,985,559)**	2,220,938
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss:			
Loss on change in fair value of financial assets at fair value through other comprehensive income		**(366,464)**	—
Items that may be reclassified to profit or loss:			
Fair value gains on available-for-sale financial assets		**—**	398,737
Other comprehensive (expense)/income for the year, net of tax		**(366,464)**	398,737
Total comprehensive (expense)/income for the year, net of tax		**(38,352,023)**	2,619,675
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		**(35,524,933)**	2,849,065
Non-controlling interests		**(2,827,090)**	(229,390)
		(38,352,023)	2,619,675
		HK Cents	HK Cents
(Loss)/earnings per share	14		
Basic		**(6.49)**	0.51
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$	2017 HK$
Non-current assets			
Property, plant and equipment	15	1,883,186	4,285,185
Goodwill	16	2,436,155	2,436,155
Interests in associates	17	61,132,246	—
Financial assets at fair value through other comprehensive income	18	1,603,606	—
Available-for-sale financial assets	19	—	1,874,668
Amount due from a related company	20	—	1,450,000
Rental deposits	21	261,576	482,355
		67,316,769	10,528,363
Current assets			
Trade and other receivables	21	25,874,732	29,994,839
Financial assets at fair value through profit or loss	22	3,792,168	9,680,268
Contract assets	23	54,311,674	—
Amounts due from customers for contract work	24	—	20,862,221
Amount due from a related company	20	—	10,070
Amount due from an associate		10,000	—
Current income tax recoverable		1,133,500	—
Cash and bank balances	25	20,680,640	57,948,703
		105,802,714	118,496,101
Current liabilities			
Trade and other payables	26	52,041,005	36,606,631
Contract liabilities	23	824,763	—
Amounts due to customers for contract work	24	—	3,899,216
Borrowings	27	7,000,000	—
Current income tax payable		—	69,930
Deferred income tax liabilities	28	—	58,068
		59,865,768	40,633,845
Net current assets		45,936,946	77,862,256
Total assets less current liabilities		113,253,715	88,390,619
Non-current liabilities			
Promissory note payable	29	45,390,119	—
Net assets		67,863,596	88,390,619
Equity			
Share capital	30	5,950,000	4,800,000
Reserves		64,994,179	83,844,112
Equity attributable to owners of the Company		70,944,179	88,644,112
Non-controlling interests		(3,080,583)	(253,493)
Total equity		67,863,596	88,390,619

The consolidated financial statements on pages 59 to 135 were approved and authorised for issue by the board of directors on 22 March 2019 and are signed on its behalf by:

Yau Chung Ping
Director

Wong Kang Man
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital HK$	Share premium HK$	Other reserve (Note 31) HK$	Available-for-sale financial assets revaluation reserve HK$	Investment revaluation reserve HK$	Retained profits/ (accumulated losses) HK$	Total HK$	Non-controlling interests HK$	Total HK$
At 1 January 2017	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 for the year	–	–	–	398,737	–	–	398,737	–	398,737
Total comprehensive income for the year, net of tax	–	–	–	398,737	–	2,450,328	2,849,065	(229,390)	2,619,675
Acquisition of a subsidiary (Note 35)	–	–	–	–	–	–	–	(24,103)	(24,103)
At 31 December 2017	4,800,000	65,336,977	5,921,989	420,818	–	12,164,328	88,644,112	(253,493)	88,390,619
At 1 January 2018, as originally presented	4,800,000	65,336,977	5,921,989	420,818	–	12,164,328	88,644,112	(253,493)	88,390,619
Effect of application for HKFRS 9 (Note 2.2)	–	–	–	(420,818)	420,818	–	–	–	–
At 1 January 2018, as restated	4,800,000	65,336,977	5,921,989	–	420,818	12,164,328	88,644,112	(253,493)	88,390,619
Loss for the year	–	–	–	–	–	(35,158,469)	(35,158,469)	(2,827,090)	(37,985,559)
Other comprehensive expense for the year	–	–	–	–	(366,464)	–	(366,464)	–	(366,464)
Total comprehensive expense for the year, net of tax	–	–	–	–	(366,464)	(35,158,469)	(35,524,933)	(2,827,090)	(38,352,023)
Issue of shares for acquisition of associates	1,150,000	16,675,000	–	–	–	–	17,825,000	–	17,825,000
At 31 December 2018	5,950,000	82,011,977	5,921,989	–	54,354	(22,994,141)	70,944,179	(3,080,583)	67,863,596

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 HK$	2017 HK$
Cash flows from operating activities		
(Loss)/profit before income tax	(38,045,269)	3,488,447
Adjustments for:		
Depreciation of property, plant and equipment	1,619,786	1,189,660
Loss on disposal of property, plant and equipment	1,034,777	105,200
(Loss)/gain on change in fair value of financial assets at fair value through profit or loss		
– Net unrealised loss/(gain) on listed securities	4,002,790	(282,549)
– Net realised loss on disposal of listed securities	3,119,081	486,207
Loss on early repayment of promissory note	414,802	—
Dividend income from		
– Equity investment at fair value through other comprehensive income	(95,531)	—
– Available-for-sale financial assets	—	(97,467)
Finance income	(50,925)	(394,429)
Finance costs	1,439,511	—
Share of loss from associates	50,292	—
Impairment loss on interest in associates	12,305,000	—
Impairment loss on goodwill	481,604	—
Impairment loss on trade receivables	4,095,948	398,200
Operating (loss)/profit before working capital changes	(9,628,134)	4,893,269
Decrease/(increase) in trade and other receivables	256,438	(2,240,713)
Increase in contract assets	(33,449,453)	—
Increase in amounts due from customers for contract work	—	(7,293,302)
Decrease/(increase) in amount due from a related company	10,070	(10,070)
Increase in amount due from an associate	(10,000)	—
Increase in trade and other payables	15,283,925	10,500,433
Decrease in contract liabilities	(3,074,453)	—
Decrease in amounts due to customers for contract work	—	(252,580)
Cash (used in)/generated from operations	(30,611,607)	5,597,037
Income tax (paid)/refunded	(1,201,788)	977,266
Net cash (used in)/generated from operating activities	(31,813,395)	6,574,303

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

	Notes	2018 HK$	2017 HK$
Cash flows from investment activities			
Purchase of property, plant and equipment		(242,883)	(1,021,326)
Decrease/(increase) in amount due from a related company		106,715	(1,450,000)
Purchase of financial assets at fair value through profit or loss		(12,767,571)	(17,067,706)
Proceeds from disposal of financial assets at fair value through profit or loss		11,533,800	7,183,780
Proceeds from disposal of property, plant and equipment		—	92,000
Decrease in bank deposits with a maturity period over three months		—	50,000,000
Interest received		50,925	351,254
Dividend from equity investments received		129	—
Acquisition of associates		(752,538)	—
Acquisition of subsidiaries	35	990,949	(2,760,507)
Net cash (used in)/generated from investing activities		(1,080,474)	35,327,495
Cash flows from financing activities			
Proceeds from borrowings	36	7,000,000	—
Repayment of promissory note payables	36	(11,250,000)	—
Finance costs paid	36	(124,194)	—
Net cash used in financing activities		(4,374,194)	—
Net (decrease)/increase in cash and cash equivalents		(37,268,063)	41,901,798
Cash and cash equivalents at the beginning of year		57,948,703	16,046,905
Cash and cash equivalents at the end of year		20,680,640	57,948,703

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 (collectively referred to as the "Group"), are principally engaged in the provision of interior design and fit out solutions as well as overall project management in Hong Kong.

The shares of the Company (the "Share(s)") are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 both of the years presented, unless otherwise stated.

2.1 Basis of preparation

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

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets which are measured at fair value.

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 2018:

- HKFRS 9 Financial Instruments
- HKFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions — Amendments to HKFRS 2
- Annual Improvements 2014–2016 cycle
- Transfers to Investment Property — Amendments to HKAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Group changed its accounting policies following the adoption of HKFRS 9 and HKFRS 15. For details, please refer to Note 2.2. The other amendments listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(d) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretation that have been issued but not yet effective for the financial year beginning at 1 January 2018 and have not been early adopted by the Group, are as follows:

Standards	Key requirements	Effective for annual periods beginning on or after
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HKAS 19	"Employee benefits" on plan amendment, curtailment or settlement	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKFRS	Annual improvement to HKFRS 2015–2017 Cycle	1 January 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	1 January 2019

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

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right-of-use) 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.

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$3,269,840. The Group estimates that approximately HK$1,740,544 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.

This standard is effective for financial years commencing on or after 1 January 2019. At this stage, the Group has not adopted 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.

Except for HKFRS 16 mentioned above, the directors of the Company anticipate that the application of all other new and amendments to HKFRS will have no material impact on the consolidated financial statements in the foreseeable future.

2 Summary of Significant Accounting Policies (Continued)

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" ("HKFRS 9") and HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") on the Group's financial information and the new accounting policies as disclosed in Note 2.11 and Note 2.20 that have been applied from 1 January 2018, where they are different to those applied in prior periods.

Certain of the Group's accounting policies have been changed to comply with the adoption of HKFRS 9 and HKFRS 15. HKFRS 9 replaces the provisions of HKAS 39 "Financial Instruments" ("HKAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 "Financial Instruments — Disclosures". HKFRS 15 replaces the provisions of HKAS 18 "Revenue" ("HKAS 18") and HKAS 11 "Construction Contracts" ("HKAS 11") that relate to the recognition, classification and measurement of revenue and costs.

(i) HKFRS 9 — Impact on the financial information of the Group

As a result of the changes in the Group's accounting policies, as explained below, HKFRS 9 was generally adopted without restating any comparative information. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement". The adoption of HKFRS 9 in the current period resulted in the adjustment for the beginning of financial position at 1 January 2018 as the Group has adopted the accounting policies on financial instruments with effect from 1 January 2018.

(a) Classification and measurement of financial instruments

Financial assets

At 1 January 2018	Available-for-sale financial assets HK$	Financial assets at fair value through other comprehensive income HK$
Opening balance — as originally stated	1,874,668	—
Reclassification from available-for-sale financial assets to financial assets at fair value through profit or loss, upon application of HKFRS 9	(1,874,668)	1,874,668
Opening balance — as restated	—	1,874,668

The gain on revaluation of available-for-sale financial assets amounted to HK$420,818 at 1 January 2018 was reclassified and included in investment revaluation reserve.

Financial liabilities
There is no impact no the Group's accounting for financial liabilities.

2 Summary of Significant Accounting Policies (Continued)

2.2 Changes in accounting policies (Continued)

(ii) HKFRS 15 — Impact on the financial information of the Group

As a result of the changes in the Group's accounting policies, as explained below, HKFRS 15 was generally adopted without restating any comparative information. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations. The adoption of HKFRS 15 in the current period resulted in the adjustment for the beginning of financial position at 1 January 2018 as the Group reclassified certain of its assets and liabilities at that date as follows:

At 1 January 2018	Amount due from customers for contract work (included in current assets) HK$	Amount due to customers for contract work (included in current liabilities) HK$	Contract assets (included in current assets) HK$	Contract liabilities (included in current liabilities) HK$
Opening balance, as originally stated	20,862,221	3,899,216	—	—
Reclassification upon application of HKFRS 15	(20,862,221)	(3,899,216)	20,862,221	3,899,216
Opening balance, as restated	—	—	20,862,221	3,899,216

HKFRS 15 requires that revenue from contracts with customers be recognised upon the transfer of control over goods or services to the customer. As such, upon adoption, this requirement under HKFRS 15 resulted in immaterial impact to the consolidated statement of profit or loss and other comprehensive income as the timing of revenue recognition on provision of services to customers is unchanged.

2.3 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 consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

2 Summary of Significant Accounting Policies (Continued)

2.3 Consolidation (Continued)

Subsidiaries (Continued)

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 and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(a) *Business combinations*

The Group applies the acquisition method to account for business combinations. 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.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are 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. Non-controlling interests in the acquiree that are present ownership interest and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at the present ownership interests' proportionate share in the recognised amount of the acquiree's identifiable net assets or fair value. All other components of non-controlling interests are measured at their acquisition date fair value.

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.

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 Summary of Significant Accounting Policies (Continued)

2.3 Consolidation (Continued)

Subsidiaries (Continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.4 Investments in subsidiaries

Investments in subsidiaries are accounted for in the Company's statement of financial position at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2.5 Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

2 Summary of Significant Accounting Policies (Continued)

2.5 Investments in associates (Continued)

An investment in associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less cost of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate of the Group, profit or loss resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

2.6 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 ("CEO") that makes strategic decisions.

2.7 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)

2.7 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 consolidated statement of profit or loss and other comprehensive income within "finance income or expenses". All other foreign exchange gains and losses are presented in consolidated statement of profit or loss and other comprehensive income within "other losses, net".

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.

(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 are translated at the closing rate at the end of the reporting period;

(ii) income and expenses are translated at average exchange rates (unless this average rate 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.

2 Summary of Significant Accounting Policies (Continued)

2.8 Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. 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 profit or loss for the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to write off the cost of assets 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 2.10).

Gain or loss on disposal of an asset is determined by comparing proceeds with carrying amount of the assets and are recognised within "other losses, net" (Note 7).

2.9 Intangible assets

Goodwill

Goodwill on 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)

2.9 Intangible assets (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.

2.10 Impairment of non-financial assets

Non-financial assets (other than goodwill) 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).

Where an impairment loss subsequent reverses, the carrying amount of the asset or cash-generating unit (other than goodwill) is increased to the revised estimate of its recoverable amounts, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of impairment loss is recognised immediately in profit or loss.

2.11 Financial assets

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses on change in fair value will either be recorded in profit or loss or other comprehensive income. For investments in equity investments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 Summary of Significant Accounting Policies (Continued)

2.11 Financial assets (Continued)

(ii) 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.

(iii) 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 recorded in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income and are included in "other losses, net". Interest income from these financial assets is included in finance income or other income using the effective interest method.

Equity investments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to recognise fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Where the Group elected to present equity investments at fair value through profit or loss, changes in the fair value of financial assets are recognised in the consolidated statement of profit or loss and other comprehensive income and are included in other gains/(losses) — net.

2 Summary of Significant Accounting Policies (Continued)

2.11 Financial assets (Continued)

(iv) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.2(c) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

(v) Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, receivables and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) 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. The Group has elected to designate the derivative financial instruments as financial assets at fair value through profit or loss.

(b) Receivables

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 receivables comprise "trade and other receivables", "cash at banks" and "amounts due from related parties" in the consolidated statements of financial position.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2 Summary of Significant Accounting Policies (Continued)

2.11 Financial assets (Continued)

(v) Accounting policies applied until 31 December 2017 (Continued)

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statements of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated statement of profit or loss and other comprehensive income within "Other gains/(losses) — net" in the period in which they arise. Investment income from financial assets at fair value through profit or loss and available for sale is recognised in the consolidated statements of profit or loss as part of other income when the Group's right to receive payments is established.

Gains or losses arising from changes in the fair value of the available-for-sale financial assets are recognised in other comprehensive income and included in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statements of profit or loss and other comprehensive income as "Other gains/(losses) — net".

2 Summary of Significant Accounting Policies (Continued)

2.11 Financial assets (Continued)

(v) Accounting policies applied until 31 December 2017 (Continued)

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.

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)

2.12 Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities (including trade and other payables, borrowings and promissory note payable) are subsequently measured at amortised cost using the effective interest method.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position 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.

2.14 Contract assets/contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

2 Summary of Significant Accounting Policies (Continued)

2.15 Construction contracts (prior to 1 January 2018)

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 statement of financial position as a liability, as receipt in advances. Amounts billed for work performed but not yet paid by the customers are included in the consolidated statement of financial position under trade receivables.

2.16 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.

2 Summary of Significant Accounting Policies (Continued)

2.17 Current and deferred income tax

The income tax expense 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.

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

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 Summary of Significant Accounting Policies (Continued)

2.18 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.

(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 end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2 Summary of Significant Accounting Policies (Continued)

2.19 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.

2.20 Revenue recognition

Accounting policies applied from 1 January 2018

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a goods or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

2 Summary of Significant Accounting Policies (Continued)

2.20 Revenue recognition (Continued)

Accounting policies applied from 1 January 2018 (Continued)

Contracts with multiple performance obligations (including allocation of transaction price)
For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct goods or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised goods or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Input method
The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

The Group has applied HKFRS 15, but has elected not to revise comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previously accounting policy.

Accounting policies applied until 31 December 2017

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 2.15, 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)

2.20 Revenue recognition (Continued)

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.

Dividend income

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

2.21 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 profit or loss on a straight-line basis over the period of the leases.

2.22 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.23 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 Instruments

3.1 Financial instruments by category

The financial assets and financial liabilities of the Group can be categorised as follows:

	Financial assets at fair value through profit or loss HK$	Financial assets at fair value through other comprehensive income HK$	Financial assets at amortised cost HK$	Total HK$
Financial assets				
31 December 2018				
Financial assets at fair value through other comprehensive income	—	1,603,606	—	1,603,606
Financial assets at fair value through profit or loss	3,792,168	—	—	3,792,168
Rental deposits	—	—	261,576	261,576
Trade and other receivables excluding prepayments	—	—	24,904,194	24,904,194
Contract assets	—	—	6,853,961	6,853,961
Amount due from an associate	—	—	10,000	10,000
Cash and bank balances	—	—	20,680,640	20,680,640
	3,792,168	1,603,606	52,710,371	58,106,145
31 December 2017				
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 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	89,033,362	100,588,298

3 Financial Instruments (Continued)

3.1 Financial instruments by category (Continued)

	Financial liabilities at amortised cost HK$
Financial liabilities	
31 December 2018	
Trade and other payables excluding non-financial liabilities	20,446,667
Borrowings	7,000,000
Promissory note payable	45,390,119
	72,836,786
31 December 2017	
Trade and other payables excluding non-financial liabilities	16,054,080
Borrowings	—
Promissory note payable	—
	16,054,080

3.2 Financial risk management

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 Company) 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.

3 Financial Instruments (Continued)

3.2 Financial risk management (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 consolidated statement of financial position either as at fair value through other comprehensive income (Note 18) and at fair value through profit or loss (Note 22).

Sensitivity

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

	Impact on post tax profit/loss		Impact on other components of equity	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Available-for-sale financial assets	**—**	—	**—**	94
Financial assets at fair value through other comprehensive income	**—**	—	**80**	—
Financial assets at fair value through profit or loss	**190**	484	**—**	—

Post-tax loss for the year would decrease/increase by approximately HK$190,000 (2017: post-tax profit would increase/decrease by approximately HK$484,000) as a result of increase/decrease in 5% of the share price of the equity securities classified as at fair value through profit or loss. Other components of equity would increase/decrease by approximately HK$80,000 (2017: HK$94,000) as a result of increase/decrease in 5% of the share price of the equity securities classified as at fair value through other comprehensive income/available-for-sale investments.

3 Financial Instruments (Continued)

3.2 Financial risk management (Continued)

(c) Credit risk

The Group is exposed to credit risk and the Group's maximum exposure to credit risk in relation to financial assets is derived from its retention receivables included in contract assets, trade and other receivables, rental deposits, amounts due from associate and related company, and cash deposits at banks.

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.

The Group has large number of customers and there was no concentration of credit risk. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor/customer;
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Group and changes in the operating results of the customer.

3 Financial Instruments (Continued)

3.2 Financial risk management (Continued)

(c) Credit risk (Continued)

(i) Amounts due from related parties

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group's definition of categories	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 60 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

As at 31 December 2018, the internal credit rating of amounts due from related parties were performing. The Group has assessed that the expected credit loss rate for these receivables is immaterial under 12 months expected losses method. Thus no loss allowance for amounts due from related parties was recognised.

3 Financial Instruments (Continued)

3.2 Financial risk management (Continued)

(c) Credit risk (Continued)

(ii) Trade and other receivables

The Group applies the simplified approach to provide for expected credit losses for trade and other receivables and retention receivables prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

As at 31 December 2018, the Group has assessed that the expected loss rate for other receivables was immaterial. Thus no loss allowance for other receivables was recognised.

As at 31 December 2018, the loss allowance for trade receivables was determined as follows:

	0-30 days	31-60 days	more than 60 days	Total
31 December 2018				
Expected loss rate	1%	1.6%	17.45%	
Gross carrying amount (HK$'000)	3,853	930	24,440	29,223
Loss allowance (HK$'000)	39	14	4,265	4,318

The above expected credit losses also incorporated forward looking information.

In the prior year, for trade receivables, the Group performed ongoing credit evaluations of its debtors' financial condition and did not require collateral from the debtors on the outstanding balances. Based on the expected recoverability and timing for collection of the outstanding balances, the Group maintained a provision for doubtful accounts and actual losses incurred had been within management's expectations. For other receivables, management made periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

3 Financial Instruments (Continued)

3.2 Financial risk management (Continued)

(c) Credit risk (Continued)

(ii) Trade and other receivables (Continued)

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 2018, the Group had a concentration of credit risk given that the top 5 customers account for 68% (2017: 62%) 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.

(iii) Cash at bank and bank deposits

The table below shows the details of bank deposit balances maintained at the end of the reporting period:

	Rating	2018 HK$	2017 HK$
Cash at banks and bank deposits	A2-A3	**20,664,001**	57,921,891

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. Accordingly, management of the Group considers that the credit risk on the bank balances and bank deposits is limited.

(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.

3 Financial Instruments (Continued)

3.2 Financial risk management (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 end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The table includes interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at end of the reporting period.

	On demand or within one year HK$	1-2 years HK$	2-5 years HK$	Total undiscounted cash flows HK$	Carrying amount HK$
At 31 December 2018					
Trade and other payables excluding non-financial liabilities	20,446,667	–	–	20,446,667	20,446,667
Borrowings	7,700,000	–	–	7,700,000	7,000,000
Promissory note payable	–	48,924,300	–	48,924,300	45,390,119
	28,146,667	48,924,300	–	77,070,967	72,836,786
At 31 December 2017					
Trade and other payables excluding non-financial liabilities	16,054,080	–	–	16,054,080	16,054,080
Borrowings	–	–	–	–	–
Promissory note payable	–	–	–	–	–
	16,054,080	–	–	16,054,080	16,054,080

3.3 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 low given that the Group's borrowings as at 31 December 2018 is significantly less than the total equity as at that date.

3 Financial Instruments (Continued)

3.4 Fair value estimation

The carrying amounts of the Group's financial assets at amortised cost, including rental deposits, trade and other receivables, amounts due from associate and related company, and cash and bank balances; and financial liabilities at amortised cost, including trade and other payables, borrowings and promissory note payable, approximate their fair values. The fair value of these financial assets and financial liabilities that are not traded in an active market is determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflect the credit risk of counterparties.

The carrying amounts of financial instruments measured at fair value at the end of the reporting period 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$
At 31 December 2018				
Financial assets				
Financial assets at fair value through other comprehensive income				
Equity securities listed in Hong Kong	1,603,606	—	—	1,603,606
Financial assets at fair value through profit or loss				
Equity securities listed in Hong Kong	3,792,168	—	—	3,792,168

3 Financial Instruments (Continued)

3.4 Fair value estimation (Continued)

	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
At 31 December 2017				
Financial assets				
Available-for-sale financial assets				
Equity securities listed in Hong Kong	1,874,668	—	—	1,874,668
Financial assets at fair value through profit or loss				
Equity securities listed in Hong Kong	9,680,268	—	—	9,680,268

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

The fair value of the equity securities listed in Hong Kong, which is categorised in Level 1, is based on quoted market prices at the end of the reporting period. The quoted market price used is the current bid price.

3.5 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 Judgments

Estimates and judgments 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 end of the reporting period 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 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.

(b) Impairment of trade and other receivables and contract assets

The Group applies the simplified approach to provide for expected credit loss in respect of trade receivables and contract assets. The provision rates are based on groupings of various debtors that have similar loss patterns and the Group's historical default rates (taking into consideration forward-looking information that is receivable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables and contract assets with significant balances and credit impaired are assessed for expected credit loss individually.

The provision for expected credit loss is sensitive to changes in estimates. The information about the expected credit loss and the Group's trade receivables and contract assets are disclosed in Notes 21 and 23 respectively.

4 Critical Accounting Estimates and Judgments (Continued)

(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.

(d) Impairment of investments in associates

The Group assesses whether there are any indications of impairment of associates at the end of each reporting period. Investments in associates are tested for impairment when there are indications that the carrying amounts may not be recoverable. An impairment exists when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher or its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available information from binding sales transaction in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Impairment loss on investments in associates amounted to HK$12,305,000 (2017: Nil) was recognised in profit or loss in respect of the year, details of which are set out in Note 17.

(e) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amounts of goodwill at 31 December 2018 and 31 December 2017 are both HK$2,436,155. Impairment loss on goodwill amounted to HK$481,604 (2017: Nil) was recognised in profit or loss in respect of the year, details of which are set out in Note 16.

5 Revenue and Segment Information

The executive directors of the Company, 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 represents income from major services (substantially all of which is recognised over time) as follows:

	2018 HK$	2017 HK$
Type of services		
Design and fit out	**161,307,640**	115,001,772
Design	**378,443**	2,124,000
Maintenance and aftersales services	**747,374**	1,562,335
	162,433,457	118,688,107

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 location of customers during the year is as follows:

Revenue from external customers

	2018 HK$	2017 HK$
Hong Kong	**162,433,457**	118,688,107

Information about major customers

Revenue from individual customers contributing over 10% of the revenue of the Group is as follows:

	2018 HK$	2017 HK$
Customer A	**37,376,899**	20,428,433
Customer B	**36,628,190**	N/A#
Customer C	**N/A***	38,599,712

* The revenue from customer C for the year ended 31 December 2018 does not exceed 10% of the total revenue of the Group for the year.

\# The revenue from customer B for the year ended 31 December 2017 does not exceed 10% of the total revenue of the Group for that year.

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

	2018 HK$	2017 HK$
Hong Kong	**65,451,587**	6,721,340

Note: Non-current assets excluded financial assets at fair value through other comprehensive income/available-for-sale financial assets, amount due from a related company and rental deposits.

6 Other Income

	2018 HK$	2017 HK$
Dividend income from		
— Equity investments at fair value through other comprehensive income	**95,531**	—
— Available-for-sale financial assets	**—**	97,467
Sundry income	**170,815**	114,869
	266,346	212,336

7 Other Losses, net

	2018 HK$	2017 HK$
(Loss)/gain on change in fair value of financial assets at fair value through profit or loss		
— Net unrealised (loss)/gain on listed securities	**(4,002,790)**	282,549
— Net realised loss on disposal of listed securities	**(3,119,081)**	(486,207)
	(7,121,871)	(203,658)
Foreign exchange (losses)/gains	**(12,708)**	3,367
Impairment loss on goodwill *(Note 16)*	**(481,604)**	—
Impairment loss on interests in associates *(Note 17)*	**(12,305,000)**	—
Loss on early repayment of promissory note *(Note 29)*	**(414,802)**	—
Loss on disposal of property, plant and equipment	**(1,034,777)**	(105,200)
	(21,370,762)	(305,491)

8 Employee Benefit Expenses

	2018 HK$	2017 HK$
Salaries and allowances	**19,200,882**	16,666,929
Pension costs — defined contribution plans	**702,411**	563,756
Welfare and benefits	**365,430**	406,942
Total including directors' remuneration	**20,268,723**	17,637,627

8 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.

For the year ended 31 December 2018, the aggregate amounts of the Group's contributions to the aforementioned pension scheme is HK$702,411 (2017: HK$563,756).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2017: one) director, whose emolument is reflected in the analysis shown in note 32. The emoluments paid/payable to the remaining four (2017: four) individuals for the year are as follows:

	2018 HK$	2017 HK$
Basic salaries and bonuses	**3,039,510**	3,224,650
Pension costs — defined contribution plan	**90,000**	67,130
	3,129,510	3,291,780

The emoluments fell within the following band:

	2018 Number of individuals	2017 Number of individuals
Number of individuals (Note)		
Nil to HK$1,000,000	**4**	3
HK$1,000,001-HK$1,500,000	**Nil**	1

Note: The remaining four individuals include one key management who was an executive director and resigned during the year ended 31 December 2017. The emoluments paid/payable to this individual for the periods after her resignation are included above and the portion of the emoluments paid/payable to the individual for the year ended 31 December 2017 before resignation is included in the directors' emoluments for that year (Note 32).

9 Other Expenses

	2018 HK$	2017 HK$
Advertising costs	**830,810**	458,638
Auditor's remuneration		
— Audit services	**890,000**	1,200,000
— Non audit services	**237,462**	315,600
Building management fee	**222,976**	169,878
Depreciation of property, plant and equipment (Note 15)	**1,619,786**	1,189,660
Donations	**40,000**	125,700
Legal and professional fees	**1,413,643**	2,394,877
Office relocation expenses	**—**	50,200
Impairment loss on trade receivables (Note 21)	**4,095,948**	398,200
Travelling and entertainment	**1,905,129**	1,011,762
Other operating expenses	**1,216,409**	973,908
	12,472,163	8,288,423

10 Finance Income

	2018 HK$	2017 HK$
Interest income on bank deposits	**50,925**	394,429

11 Finance Costs

	2018 HK$	2017 HK$
Interest on promissory note payable (Note 29)	**1,315,317**	—
Interest on borrowings	**124,194**	—
	1,439,511	—

12 Income Tax (Credit)/Expense

No provision for Hong Kong profits tax of the current year has been made in the consolidated financial statements as the Group has no assessable profit for the year. Hong Kong profits tax of the prior year has been provided at the rate of 16.5% on the estimated assessable profits for that year.

	2018 HK$	2017 HK$
Current tax		
Current tax on profits for the year	—	1,270,143
(Over)/underprovision in prior years	(1,642)	59,126
Current tax (credit)/expense	(1,642)	1,329,269
Deferred income tax credit *(Note 28)*	(58,068)	(61,760)
Income tax (credit)/expense	(59,710)	1,267,509

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

	2018 HK$	2017 HK$
(Loss)/profit before income tax	(38,045,269)	3,488,447
Tax calculated at Hong Kong profits tax rate of 16.5% (2017: 16.5%)	(6,277,469)	575,594
Income not subject to tax	(24,165)	(17,026)
Expenses not deductible for tax purposes	4,065,392	583,970
Tax losses not recognised	2,178,174	95,845
Tax deduction	—	(30,000)
(Over)/underprovision in prior years	(1,642)	59,126
Income tax (credit)/expense	(59,710)	1,267,509

13 Dividends

No interim dividend for the year was declared by the Company.

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

14 (Loss)/earnings Per Share

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

	2018	2017
(Loss)/profit for the year attributable to owners of the Company (in HK$)	**(35,158,469)**	2,450,328
Weighted average number of ordinary shares	**541,438,356**	480,000,000
Basic (loss)/earnings per share (in HK cents)	**(6.49)**	0.51

No diluted loss/earnings per share is presented for both of the years ended 31 December 2018 and 31 December 2017 as there were no potential ordinary shares in issue during those years.

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 2018						
Opening net book amount	633,872	2,860,371	21,080	402,991	366,871	4,285,185
Acquisition of a subsidiary (Note 35)	—	9,681	—	—	—	9,681
Additions	242,883	—	—	—	—	242,883
Disposals	—	(844,401)	—	(190,376)	—	(1,034,777)
Depreciation charge	(351,770)	(1,087,619)	(15,391)	(57,629)	(107,377)	(1,619,786)
Closing net book amount	524,985	938,032	5,689	154,986	259,494	1,883,186
At 31 December 2018						
Cost	2,215,129	2,658,472	391,127	512,734	536,885	6,314,347
Accumulated depreciation	(1,690,144)	(1,720,440)	(385,438)	(357,748)	(277,391)	(4,431,161)
Net book amount	524,985	938,032	5,689	154,986	259,494	1,883,186

	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 35)	249,041	517,898	—	76,374	—	843,313
Additions	193,154	637,795	—	190,377	—	1,021,326
Disposals	—	—	—	—	(197,200)	(197,200)
Depreciation charge	(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 Goodwill

	2018 HK$	2017 HK$
Cost		
At 1 January	**2,436,155**	—
Arising from acquisition of subsidiary (Note 35)	**481,604**	2,436,155
At 31 December	**2,917,759**	2,436,155
Accumulated impairment losses		
At 1 January	**—**	—
Impairment loss recognised	**(481,604)**	—
At 31 December	**(481,604)**	—
Carrying Amount		
At 31 December	**2,436,155**	2,436,155

An analysis of goodwill attributable to the relevant cash-generating units ("CGUs") is as follows:

	Design and fit out CGU HK$	Money lending CGU HK$	Total HK$
Carrying amount at 1 January 2017	—	—	—
Goodwill arising from acquisition of subsidiary (Note 35)	2,436,155	—	2,436,155
Carrying amount at 31 December 2017 and 1 January 2018	2,436,155	—	2,436,155
Goodwill arising from acquisition of subsidiary (Note 35)	—	481,604	481,604
Impairment loss recognised for the year (Note 7)	—	(481,604)	(481,604)
Carrying amount at 31 December 2018	2,436,155	—	2,436,155

Design and fit out CGU

The goodwill arose from the business combination during the year ended 31 December 2017.

Money lending CGU

The goodwill arose from the business combination during the year ended 31 December 2018.

16 Goodwill (Continued)

Design and fit out CGU

The recoverable amount of the design and fit out CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management.

Key assumptions adopted in the preparation of cash flow projections used for value in use calculation were as follows:

	31 December 2018
Compound annual growth rate of revenue in	
– First year	30%
– Second year	20%
– Third to fifth year	10%
Annual growth rate beyond the five-year period	2.5%
Discount rate	17%

The budget gross margin used for the preparation of the cash flow projections is based on the average gross margin achieved in the two prior years, with adjustments on Hong Kong inflation rate.

The annual revenue growth rate for the first year is estimated by management based on projects carried forward from the current year and forecast projects expected to be secured by the Group subsequent to the reporting period, and past performance, industry forecast and its expectation of market development. The discount rate used is before tax and reflects specific risks relating to this CGU.

The values assigned to the key assumptions on inflation of materials price and discount rate are consistent with external information sources.

The directors believe that any reasonably change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the design and fit out CGU to exceed its recoverable amount, accordingly impairment loss on goodwill attributable to the related CGU is not required to be made in the consolidated financial statements.

Money lending CGU

Impairment loss is fully recognised for the year on goodwill attributable to money lending CGU as management of the Group is of the view that the recoverable amount of the goodwill cannot be assured with reasonable uncertainty.

17 Interests in Associates

	2018 HK$	2017 HK$
Unlisted associates		
Cost of investment	73,487,538	—
Share of post-acquisition loss and other comprehensive expense	(50,292)	—
Impairment loss recognised	(12,305,000)	—
	61,132,246	—

Movements during the year are as follows:

	2018 HK$	2017 HK$
At 1 January	—	—
Acquisition of associates	73,487,538	—
Share of post-acquisition loss for the year	(50,292)	—
Impairment loss recognised	(12,305,000)	—
At 31 December	61,132,246	—

17 Interests in Associates (Continued)

Notes:

(a) On 15 December 2017, a wholly-owned subsidiary of the Company entered into an agreement with an independent third party, under which the Group has agreed to acquire 49% equity interest in Primo Group (BVI) Limited ("Primo"), Primo is an investment holding company and holds 100% equity interest in Primocasa Interiors Limited ("Primocasa'), which is principally engaged in the provision of interior design and fit out solutions. Pursuant to the acquisition agreement, the aggregate consideration for the acquisition is HK$75,000,000, which is to be satisfied by (i) allotment and issue of 115,000,000 new ordinary shares of Company of HK$0.01 each, credited as fully paid, at an issue price of HK$0.153 per share and (ii) issue by the Company of promissory note with the principal amount of HK$57,405,000. Completion of the acquisition of 49% equity interest in Primo took place on 20 June 2018.

The cost of acquisition of 49% equity interest in Primo was estimated to be HK$73,487,538, which includes (i) the fair value of the shares issued for the acquisition estimated to be HK$17,825,000 by reference to the closing market price of the Company's ordinary shares of HK$0.155 per share at the date of completion of acquisition; (ii) the fair value of the promissory note at the date of its issue estimated to be HK$54,910,000 as valued by an external valuer using the effective interest rate of 5.26% per annum; (iii) other costs of acquisition amounted to HK$752,538.

(b) Subsequent to acquisition, management of the Group conducted a review of the profitability of the business undertaken by Primo and its subsidiary, Primocasa, and is of the view that it is appropriate to make impairment loss on the cost of investment in Primo amounted to HK$12,305,000, which is calculated based on the recoverable amount of the investment in Primo on value in use basis, as determined by reference to the valuation conducted by an external valuer. The impairment loss, which was led by the revision of the future profitability of the business undertaken by Primo and Primocasa, impacted by the potential slowdown of luxury residential market, was recognised in profit or loss in respect of the year (2017: Nil).

Particulars of the associates of the Group are as follows:

Name	Place of establishment/ registration and operations	Proportion equity interest held by the Group		Proportion of voting rights held by the Group		Principal activities
		2018	2017	2018	2017	
Primo	BVI	49%	—	49%	—	Investment holding
Primocasa	Hong Kong	49%	—	49%	—	Provision of interior design and fit out solutions

Primo and Primocasa are accounted for using the equity method in these consolidated financial statements.

17 Interests in Associates (Continued)

The following tables illustrate the summarised consolidated financial information in respect of Primo and its subsidiary, Primocasa and the reconciliation of the summarised consolidated information to the carrying amount in the consolidated financial statements:

	31 December 2018 HK$
Non-current assets	1,053,341
Current assets	17,203,625
Current liabilities	(872,558)
Net assets	17,384,408

	20 June 2018 to 31 December 2018 HK$
Revenue	14,768,616
Loss before tax	(159,047)
Income tax credit	56,410
Loss and total comprehensive expenses for the period	(102,637)
Reconciliation to the Group's interest in the associates:	
Proportion of the Group's ownership	49%
Group's share of net assets of the associates	8,518,360
Goodwill on acquisition	64,918,886
Impairment loss recognised	(12,305,000)
Carrying amount of the investment	61,132,246

18 Financial Assets at Fair Value Through Other Comprehensive Income

	2018 HK$	2017 HK$
Listed securities:		
Equity securities listed in Hong Kong	**1,603,606**	—

Movements of the financial assets at fair value through other comprehensive income during the year are as follows:

	2018 HK$	2017 HK$
As at 1 January	**—**	—
Reclassified from available-for-sale financial assets	**1,874,668**	—
Additions arising from stock dividend	**95,402**	—
Loss on change in fair value recognised in other comprehensive income	**(366,464)**	—
As at 31 December	**1,603,606**	—

19 Available-For-Sale Financial Assets

	2018 HK$	2017 HK$
Listed securities:		
Equity securities listed in Hong Kong	**—**	1,874,668

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

	2018 HK$	2017 HK$
As at 1 January	**1,874,668**	1,378,464
Reclassified to financial assets at fair value through other comprehensive income	**(1,874,668)**	—
Additions arising from stock dividend	**—**	97,467
Gain on change in fair value recognised in other comprehensive income	**—**	398,737
As at 31 December	**—**	1,874,668

20 Amount due from a Related Company

	2018 HK$	Maximum outstanding balance during the year ended 31 December 2018 HK$	2017 HK$	Maximum outstanding balance during the year ended 31 December 2017 HK$
Non-current				
Active Doors Finance Limited (Note)	–	**1,450,000**	1,450,000	1,450,000
Current				
Active Doors Finance Limited	–	**10,070**	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 during the year ended 31 December 2017 for the acquisition of Active Doors Finance Limited ("Active Doors"), which is a company incorporated in Hong Kong. During the current year, the acquisition of Active Doors was completed, and the amount due from the related company amounted to HK$1,343,285 form part of the consideration for the acquisition of Active Doors.

21 Trade and Other Receivables

	2018 HK$	2017 HK$
Trade receivables	**29,222,632**	29,885,874
Less: Provision for impairment of trade receivables	**(4,318,438)**	(792,979)
Trade receivables, net	**24,904,194**	29,092,895
Prepayments, deposits and other receivables	**1,232,114**	1,384,299
	26,136,308	30,477,194
Less: non-current portion: rental deposit	**(261,576)**	(482,355)
Current portion	**25,874,732**	29,994,839

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

The Group does not grant credit term to customers. At 31 December 2018 and 2017, the ageing analysis of the trade receivables (after impairment loss recognised) based on invoice date were as follows:

	2018 HK$	2017 HK$
1 – 30 days	**3,814,115**	9,586,807
31 – 60 days	**915,427**	4,850,042
More than 60 days	**20,174,652**	14,656,046
	24,904,194	29,092,895

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which presents the use of the lifetime expected loss provision for trade receivables. To measure the expected credit losses these receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. Further information about expected credit loss provision is set out in Note 3.2(c)(ii).

As of 31 December 2018, trade receivables of HK$24,904,194 (2017: HK$29,092,895) 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, management 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 2018, trade receivables of HK$4,318,438 (2017: HK$792,979) were impaired.

21 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:

	2018 HK$	2017 HK$
1 – 30 days	**38,526**	—
31 – 60 fays	**14,885**	—
More than 60 days	**4,265,027**	792,979
	4,318,438	792,979

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

	2018 HK$	2017 HK$
At 1 January	**792,979**	394,779
Provision for impairment recognised (Note 9)	**4,095,948**	398,200
Trade receivables written off	**(570,489)**	—
At 31 December	**4,318,438**	792,979

Provision for impaired receivables has been included in other expenses (Note 9). 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.

22 Financial Assets at Fair Value Through Profit or Loss

	2018 HK$	2017 HK$
Listed securities:		
Equity securities listed in Hong Kong	**3,792,168**	9,680,268

Financial assets at fair value through profit or loss are all held for trading.

Loss on change in fair values of these financial assets amounted to HK$7,121,871 (2017: HK$203,658) is included in other losses, net (Note 7).

Information about the Group's exposure to price risk is set out in Note 3.2(b). Details about the methods and assumptions used in determining fair value are set out in Note 3.4.

23 Contract Assets and Contract Liabilities

	2018 HK$	2017 HK$
Contract assets		
Design and fit out services	**54,271,674**	—
Design services	**40,000**	—
	54,311,674	—

As at 31 December 2018, retention held by customers for contract work amounted to HK$6,853,961 (2017: Nil).

	2018 HK$	2017 HK$
Contract liabilities		
Design and fit out services	**824,763**	—
	824,763	—

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance is satisfying the respective performance obligations at the reporting date in respect of projects works.

Retention money is unsecured, interest free and expected to be reviewed within the Group's normal operating cycle.

The directors of the Company considered that the expected credit loss for contract assets is insignificant as at 31 December 2018.

24 Amounts due from/(to) Customers for Contract Work

	2018 HK$	2017 HK$
Amounts due from customers for contract work		
Contract costs incurred plus attributable profits less foreseeable losses	–	73,800,296
Progress billings received and receivable	–	(52,938,075)
As at 31 December	–	20,862,221
Amounts due to customers for contract work		
Progress billings received and receivable	–	9,493,592
Contract costs incurred plus attributable profits less foreseeable losses to date	–	(5,594,376)
As at 31 December	–	3,899,216

25 Cash and Bank Balances

	2018 HK$	2017 HK$
Cash at bank and in hand	**20,680,640**	27,948,703
Short-term bank deposits (Note a)	–	30,000,000
Cash and bank balances	**20,680,640**	57,948,703

Note a: For the year ended 31 December 2017, the interest rate on the short-term deposit was 1.03% per annum, maturing on 10 January 2018.

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

	2018 HK$	2017 HK$
HK$	**20,485,374**	57,733,374
Renminbi	**195,266**	215,329
	20,680,640	57,948,703

26 Trade and Other Payables

	2018 HK$	2017 HK$
Trade payables	**20,446,667**	16,054,080
Accrued employee benefit expenses	**1,696,754**	1,483,288
Accruals and other payables	**29,897,584**	19,069,263
	52,041,005	36,606,631

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:

	2018 HK$	2017 HK$
Within 1 month	**4,523,474**	5,499,460
1 to 2 months	**437,738**	268,715
2 to 3 months	**503,896**	1,776,897
Over 3 months	**14,981,559**	8,509,008
	20,446,667	16,054,080

The trade payables are non-interest-bearing and are normally settled on terms ranging from 0 to 90 days.

27 Borrowings

	2018 HK$	2017 HK$
Unsecured borrowings repayable within one year	**7,000,000**	—

The Group's borrowings carried interest at 12% per annum.

28 Deferred Income Tax Liabilities

The analysis of deferred tax liabilities is as follows:

	2018 HK$	2017 HK$
Accelerated tax depreciation	—	58,068

Movement of deferred income tax liabilities is as follows:

	2018 HK$	2017 HK$
At 1 January	58,068	119,828
Credited for the year (Note 12)	(58,068)	(61,760)
At 31 December	—	58,068

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$2,338,001 (2017: HK$95,845) in respect of losses amounting to HK$14,169,705 (2017: HK$911,039) that can be carried forward against future taxable income. Such losses do not have expiry date.

29 Promissory note payable

	2018 HK$	2017 HK$
Promissory note payable in the second to fifth years	**45,390,119**	—

On 20 June 2018, the Company issued the promissory note with the principal amount of HK$57,405,000 as part of the consideration for the acquisition of 49% equity interest in Primo Group (BVI) Limited (Note 17).

The promissory note is unsecured, carries interest at 3% per annum and is payable on 19 June 2020 (the "Initial Maturity Date"). At the sole discretion of the Company, the maturity may be extended to 19 June 2022 (the "Extended Maturity Date") and the promissory note carries interest at 8% per annum from the date following the Initial Maturity Date to the Extended Maturity Date. The Company is also entitled to redeem, before the maturity dates, in full or in part with interest on the redeemed amount accrued up to the date of redemption by serving 3 days prior written notice.

The fair value of the promissory note at the issue date was estimated to be HK$54,910,000, as valued by an external valuer, using the effective interest rate of 5.26% per annum.

During the current year, the Company redeemed part of the promissory note with the principal amount of HK$11,250,000 for cash consideration of HK$11,250,000, which resulted in a loss on repayment of HK$414,802 (2017: Nil) recognised in profit or loss in respect of the year. As at 31 December 2018, the promissory note with the principal amount of HK$46,155,000 (2017: Nil) remained outstanding.

Movements of the Company's promissory note payable are as follows:

	2018 HK$	2017 HK$
At 1 January	**—**	—
Issue of promissory note for acquisition of associates	**54,910,000**	—
Interest charge for the year (Note 11)	**1,315,317**	—
Promissory note repaid during the year	**(11,250,000)**	—
Loss on early repayment of promissory note (Note 7)	**414,802**	—
At 31 December	**45,390,119**	—

30 Share Capital

	Par value HK$	Number of ordinary shares	Nominal amount of ordinary shares HK$
Authorised:			
At 1 January 2017, 31 December 2017 and 31 December 2018	0.01	10,000,000,000	100,000,000

	Par value HK$	Number of ordinary shares	Nominal amount of ordinary shares HK$
Issued and fully paid:			
At 1 January 2017 and 31 December 2017	0.01	480,000,000	4,800,000
Issue of shares on acquisition of associates (Note)	0.01	115,000,000	1,150,000
At 31 December 2018	0.01	595,000,000	5,950,000

Note:

The Company issued 115,000,000 new ordinary shares of HK$0.01 each on 20 June 2018 as part of the consideration for the acquisition of Primo, details of which are set out in Note 17.

31 Other Reserve

The Group

Other reserve of HK$5,921,989 (2017: HK$5,921,989) represented the excess of the combined capital of group subsidiaries acquired over the nominal value of the ordinary shares of the Company issued in exchange thereof in June 2016.

The Company

Other reserve of HK$20,464,772 (2017: HK$20,464,772) represents the excess of the net assets value of group subsidiaries acquired over the nominal value of ordinary shares of the Company issued in exchange thereof in June 2016.

32 Benefits and Interests of Directors

(a) Directors' emoluments

The remuneration of the directors for the year ended 31 December 2018 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$
Executive directors						
Mr. Yau Chung Ping	–	1,440,000	–	–	36,000	1,476,000
Ms. Sz Kit (Note 1)	–	–	–	–	–	–
Ms. Wu Kar Wai (Note 2)	–	–	–	–	–	–
Mr. Lam Chung Ho, Alastair (Note 6)	–	240,000	–	–	12,000	252,000
Mr. Wong Kang Man (Note 9)	–	408,000	–	–	22,320	430,320
Independent non-executive directors						
Ms. Lee Hau Yan, Hannah (Note 5)	–	–	–	–	–	–
Mr. Tse Chi Shing (Note 8)	240,000	–	–	–	–	240,000
Mr. Kloeden Daniel Dieter (Note 7)	178,192	–	–	–	–	178,192
Mr. Lau Chun Wah Davy (Note 4)	–	–	–	–	–	–
Mr. Neo Sei Lin Christopher (Note 3)	–	–	–	–	–	–
Mr. Tse Wai Hei (Note 10)	240,000	–	–	–	–	240,000
Mr. Tam Chak Chi (Note 11)	62,466	–	–	–	–	62,466
	720,658	2,088,000	–	–	70,320	2,878,978

32 Benefits and Interests of Directors (Continued)

(a) Directors' emoluments (Continued)

The remuneration of the directors 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$
Executive directors						
Mr. Yau Chung Ping	–	1,440,000	–	–	36,000	1,476,000
Ms. Sz Kit (Note 1)	–	510,968	–	–	19,161	530,129
Ms. Wu Kar Wai (Note 2)	–	111,759	–	–	3,484	115,243
Mr. Lam Chung Ho, Alastair (Note 6)	–	113,754	–	–	5,688	119,442
Mr. Wong Kang Man (Note 9)	–	55,824	–	–	2,836	58,660
Non-executive director						
Mr. Wong Kang Man (Note 9)	156,881	–	–	–	–	156,881
Independent non-executive directors						
Ms. Lee Hau Yan, Hannah (Note 5)	237,206	–	–	–	–	237,206
Mr. Tse Chi Shing (Note 8)	232,768	–	–	–	–	232,768
Mr. Kloeden Daniel Dieter (Note 7)	113,754	–	–	–	–	113,754
Mr. Lau Chun Wah Davy (Note 4)	127,097	–	–	–	–	127,097
Mr. Neo Sei Lin Christopher (Note 3)	8,548	–	–	–	–	8,548
Mr. Tse Wai Hei (Note 10)	21,042	–	–	–	–	21,042
	897,296	2,232,305	–	–	67,169	3,196,770

32 Benefits and Interests of Directors (Continued)

(a) Directors' emoluments (Continued)

Note 1: Ms. Sz Kit resigned as executive director of the Company on 12 July 2017.

Note 2: Ms. Wu Kar Wai resigned as executive director of the Company on 10 March 2017.

Note 3: Mr. Neo Sei Lin, Christopher resigned as independent non-executive director of the Company on 12 January 2017.

Note 4: Mr. Lau Chun Wah, Davy resigned as independent non-executive director of the Company on 12 July 2017.

Note 5: Ms. Lee Hau Yan, Hannah resigned as independent non-executive director of the Company on 30 November 2017.

Note 6: Mr. Lam Chung Ho, Alastair was appointed as executive director of the Company on 12 July 2017.

Note 7: Mr. Kloeden Daniel Dieter was appointed as independent non-executive director of the Company on 12 July 2017 and resigned as independent non-executive director of the Company on 28 September 2018.

Note 8: Mr. Tse Chi Shing was appointed as independent non-executive director of the Company on 12 January 2017.

Note 9: Mr. Wong Kang Man was appointed as non-executive director of the Company on 10 March 2017 and re-designated to executive director on 6 November 2017.

Note 10: Mr. Tse Wai Hei was appointed as independent non-executive director of the Company on 30 November 2017.

Note 11: Mr. Tam Chak Chi was appointed as independent non-executive director on 28 September 2018.

32 Benefits and Interests of Directors (Continued)

(b) Directors' retirement benefits and termination benefits

None of the directors received any retirement benefits or termination benefits for the financial year (2017: Nil).

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

During the year ended 31 December 2018, the Company does not pay consideration to any third parties for making available directors' services (2017: 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 2018, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors (2017: Nil).

(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 (2017: Nil).

33 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:

	2018 HK$	2017 HK$
Not later than one year	**1,740,544**	1,361,240
Later than one year and no later than two years	**1,529,296**	183,680
	3,269,840	1,544,920

34 Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2018 (2017: Nil).

35 Acquisition of Subsidiaries

	2018 HK$	2017 HK$
Net cash inflow/(outflow) arising from acquisition of		
— Active Doors Finance Limited (note a)	**990,949**	—
— ACE Architectural and Interior Design Limited (note b)	**—**	(2,760,507)
Net cash inflow/(outflow) from acquisition of subsidiaries	**990,949**	(2,760,507)

Notes:

(a) Acquisition of Active Doors Finance Limited ("Active Doors")

On 6 November 2017, a wholly-owned subsidiary of the Company entered into an agreement with a third party (the "Vendor") to acquire 100% equity interest in Active Doors and the amount due by Active Doors to the Vendor. Active Doors is principally engaged in the money lending business in Hong Kong.

Completion of the acquisition of Active Doors took place on 18 September 2018 and the consideration paid/payable for the acquisition of 100% equity interest in and amount due by Active Doors to the Vendor amounted to an aggregate of HK$1,343,385. The acquisition of Active Doors could enable the Group to explore the potential business opportunity to expand the income stream of the Group in future.

The acquisition has been accounted for by business combination using the purchase method. The effect of the acquisition is summarised as follows:

	HK$
Consideration paid/payable for the acquisition	1,343,285

No significant acquisition-related costs were incurred for this acquisition.

Assets acquired and liabilities recognised at the date of completion

	HK$
Non-current assets	
Property, plant and equipment	9,681
Current assets	
Prepayments and deposits paid	11,500
Bank balances and cash	990,949
Current liabilities	
Trade and other payables	(150,449)
Total identifiable net assets acquired	861,681

35 Acquisition of Subsidiaries (Continued)

(a) Acquisition of Active Doors Finance Limited ("Active Doors") (Continued)

Goodwill arising on acquisition

	HK$
Consideration transferred	1,343,285
Net assets acquired	(861,681)
Goodwill arising on acquisition	481,604

The goodwill arising on acquisition is not expected to be deductible for tax purposes.

Net cash flow on acquisition of subsidiary

	HK$
Consideration for the acquisition	1,343,285
Consideration paid in prior year (Note 20)	(1,343,285)
Consideration paid in current year	—
Cash and cash equivalents acquired	990,949
Net inflow of cash and cash equivalents	990,949

The subsidiary acquired in the year ended 31 December 2018 contributed revenue of HK$Nil and loss of HK$83,293 to the Group for the year. Had the acquisition been completed on 1 January 2018, total Group's revenue for the year ended 31 December 2018 could have been HK$162,433,457 and loss for the year would have been HK$38,152,600. The proforma information is for illustrative purposes only and it is not necessarily on indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is it intended to be a projection of future results.

(b) Acquisition of ACE Architectural and Interior Design Limited ("ACE")

On 6 November 2017, a wholly owned subsidiary of the Company acquired 60% of the issued share capital of ACE, a company which is engaged in the provision of interior design and fit out solutions, as well as project management. The acquisition of ACE could enable the Group to enlarge the provision for interior design and fit out solutions business potential to broaden the recurring income stream of the Group.

35 Acquisition of Subsidiaries (Continued)

(b) Acquisition of ACE Architectural and Interior Design Limited ("ACE") (Continued)

The acquisition has been accounted for by business combination using the purchase method. The effect of the acquisition is summarised as follows:

	HK$
Consideration for the acquisition	2,400,000

Assets acquired and liabilities recognised at the date of completion

	HK$
Non-current assets	
Property, plant and equipment	843,313
Current assets	
Trade and other receivables	951,228*
Prepayments	400,528
Amount due from customers for contract work	4,011,249
Cash and bank balances	1,434,493
Current liabilities	
Other payables	(4,481,073)
Amount due a director	(1,795,000)
Amount due to customers for contract work	(1,424,996)
Total identifiable net liabilities recognised	(60,258)

* The fair value of acquired trade and other receivables is HK$951,228, which is the same as the contractual amount for the receivables.

Goodwill arising on acquisition

	HK$
Consideration transferred	2,400,000
Net liabilities recognised	60,258
Non-controlling interest	(24,103)
Goodwill arising on acquisition	2,436,155

The goodwill arising on consolidation is not expected to be deductible for tax purposes.

The Group elected to recognise the non-controlling interest's proportionate share of the acquired entity's net identifiable liabilities.

35 Acquisition of Subsidiaries (Continued)

(b) Acquisition of ACE Architectural and Interior Design Limited ("ACE") (Continued)

Net cash flows on acquisition of subsidiary

	HK$
Cash consideration paid	(2,400,000)
Cash and cash equivalents acquired	1,434,493
Amount due to a director	(1,795,000)
Net outflow of cash and cash equivalents	(2,760,507)

The subsidiary acquired in the year ended 31 December 2017 contributed revenue of HK$1,370,736 and loss of HK$573,475 to the Group for that year. Had the acquisition been completed on 25 April 2017, being ACE's date of incorporation, total group revenue for the year ended 31 December 2017 would have been HK$128,205,504 and profit for that year would have been HK$2,150,680. The proforma information is for illustrative purposes only and is not necessarily on indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 25 April 2017, nor is it intended to be a projection of future results.

36 Reconciliation of Liabilities Arising from Financing Activities

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

	Interest payable (included in other payables) HK$	Borrowings HK$	Promissory note payable HK$	Total HK$
At 1 January 2017	—	—	—	—
Financing cash inflows	—	—	—	—
Financing cash outflows	—	—	—	—
At 31 December 2017	—	—	—	—
Financing cash inflows	—	7,000,000	—	7,000,000
Financing cash outflows	(124,194)	—	(11,250,000)	(11,374,194)
Promissory note issued for acquisition of associates	—	—	54,910,000	54,910,000
Interest charges for the year	124,194	—	1,315,317	1,439,511
Loss on early repayment of promissory note	—	—	414,802	414,802
At 31 December 2018	—	7,000,000	45,390,119	52,390,119

37 Major Non-cash Transactions

During the year ended 31 December 2018, the Group completed the acquisition of certain associates for a consideration which was satisified by the issue of (i) 115,000,000 new ordinary shares of the Company and (ii) promissory note with the principal amount of HK$57,405,000, details of which are set out in Note 17.

38 Related Party Transactions

(a) Transactions with related parties

In addition to transactions and balances with certain related companies disclosed elsewhere in the consolidated financial statements, the Group had the following transaction with a related party:

	2018 HK$	2017 HK$
Sales of design and fit out services to close family member of Ms. Sz Kit	—	682,020
	—	682,020

Ms. Sz Kit was an executive director of the Company and resigned as executive director on 12 July 2017.

(b) Key management compensation

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

	2018 HK$	2017 HK$
Basic salaries and bonuses	7,429,329	6,378,375
Pension costs — defined contribution plan	187,500	189,025
	7,616,829	6,567,400

39 Statement of Financial Position of the Company

	2018 HK$	2017 HK$
Non-current assets		
Investment in subsidiaries	**20,776,781**	20,854,781
Amount due from a related company	**—**	1,000,000
	20,776,781	21,854,781
Current assets		
Financial asset at fair value through profit or loss	**3,792,168**	9,680,268
Prepayments and other receivables	**349,664**	305,746
Amount due from a related company	**—**	10,070
Amount due from subsidiaries	**82,346,566**	4,511,468
Amount due from an associate	**10,000**	—
Cash and bank balances	**7,703,000**	42,075,217
	94,201,398	56,582,769
Current liabilities		
Accrued charges	**968,466**	30,220
Amounts due to subsidiaries	**774,032**	2,472,666
	1,742,498	2,502,886
Net current assets	**92,458,900**	54,079,883
Total assets less current liabilities	**113,235,681**	75,934,664
Non-current liabilities		
Promissory note payable	**45,390,119**	—
Net assets	**67,845,562**	75,934,664
Equity		
Share capital	**5,950,000**	4,800,000
Reserves	**61,895,562**	71,134,664
Total equity	**67,845,562**	75,934,664

The Company's statement of financial position was approved and authorised for issue by the board of directors on 22 March 2019 and is signed on its behalf by:

Yau Chung Ping
Director

Wong Kang Man
Director

39 Statement of Financial Position of the Company (Continued)

Movements of the Company's reserves are as follows:

	Share premium HK$	Other reserve HK$ (Note 31)	Accumulated losses HK$	Total HK$
Balance at 1 January 2017	65,336,977	20,464,772	(11,628,482)	74,173,267
Loss for the year	—	—	(3,038,603)	(3,038,603)
Balance at 31 December 2017 and 1 January 2018	65,336,977	20,464,772	(14,667,085)	71,134,664
Issue of ordinary shares for acquisition of associates	16,675,000	—	—	16,675,000
Loss for the year	—	—	(25,914,102)	(25,914,102)
Balance at 31 December 2018	82,011,977	20,464,772	(40,581,187)	61,895,562

40 Subsidiaries

The principal subsidiaries of the Company at 31 December 2018, which, in the opinion of the directors of the Company, principally affected the results or assets of the Group, 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 type of legal entity	Principal activities/ place of operations	Particulars of issued share capital	Ownership interest held by the Group		Ownership interest held by the non-controlling interests	
				2018 (%)	2017 (%)	2018 (%)	2017 (%)
AL Group International Limited	BVI, limited liability company	Investment holding/ Hong Kong	1 ordinary share of US$1	100%	100%	–	–
AL Design & Associates Limited	Hong Kong, limited liability company	Provision of interior design and fit out solutions and overall project management/ Hong Kong	15,000 ordinary shares with no par value	100%	100%	–	–
Legend One Contracting Limited	Hong Kong, limited liability company	Provision of interior design and fit out solutions and overall project management/ Hong Kong	10,000 ordinary shares with no par value	100%	100%	–	–
Active Doors Finance Limited	Hong Kong, limited liability company	Money lending/ Hong Kong	1,000,000 ordinary shares with no par value	100%	–	–	–
Benefit Focus Limited	BVI, limited liability company	Investment holding/ Hong Kong	10,000 ordinary share of US$1 each	100%	100%	–	–
Earn Action Limited	BVI, limited liability company	Investment holding/ Hong Kong	10,000 ordinary share of US$1 each	100%	100%	–	–
Sunny Stage Limited	BVI, limited liability company	Investment holding/ Hong Kong	10,000 ordinary share of US$1 each	100%	100%	–	–
Fasty Aim Limited	BVI, limited liability company	Investment holding/ Hong Kong	10,000 ordinary share of US$1 each	100%	100%	–	–
Major Joyful Limited	BVI, limited liability company	Investment holding/ Hong Kong	10,000 ordinary share of US$1 each	100%	100%	–	–
ACE Architectural and Interior Design Limited	Hong Kong, limited liability company	Provision of interior design and fit out solutions and overall project management/ Hong Kong	10,000 ordinary shares with no par value	60%	60%	40%	40%

Note: None of the subsidiaries had issued any debt securities during the year and at the end of the year.

40 Subsidiaries (Continued)

Details of non-wholly owned subsidiary that has material non-controlling interests

The table below shows details of non-wholly owned subsidiary of the Group that has material non-controlling interests.

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interest		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2018 %	2017 %	**2018 HK$**	2017 HK$	**2018 HK$**	2017 HK$
ACE Architectural and Interior Design Limited ("ACE")	Hong Kong	**40%**	40%	**(2,827,090)**	(229,390)	**(3,080,583)**	(253,493)

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

ACE	**31 December 2018 HK$**	31 December 2017 HK$
Current assets	**39,471,833**	3,578,388
Non-current assets	**483,630**	1,155,656
Current liabilities	**(47,656,921)**	(5,367,777)
Equity attributable to owners of the Company	**(4,620,875)**	(380,240)
Non-controlling interests	**(3,080,583)**	(253,493)

40 Subsidiaries (Continued)

Details of non-wholly owned subsidiary that has material non-controlling interest (Continued)

	Year ended 31 December 2018 HK$	7 November 2017 to 31 December 2017 HK$
Revenue	**67,821,614**	1,370,736
Other income and gains	**35,869**	5,112
Subcontracting and materials costs	**(67,534,824)**	(1,097,598)
Other expenses	**(7,390,384)**	(851,725)
Loss for the year	**(7,067,725)**	(573,475)
Loss attributable to:		
— owners of the Company	**(4,240,635)**	(344,085)
— non-controlling interests	**(2,827,090)**	(229,390)
Loss for the year	**(7,067,725)**	(573,475)
Net cash outflows from operating activities	**(15,377,315)**	(1,199,547)
Net cash outflows from investing activities	**(101,983)**	(209,027)
Net cash inflows from financing activities	**17,885,806**	—
Net cash inflow (outflow)	**2,406,508**	(1,408,574)

41 Events subsequent to the end of reporting period

In addition to those disclosed elsewhere in the consolidated financial statements, the following event took place subsequent to the end of the reporting period:

On 25 February 2019, the Company acquired certain equity securities listed in Hong Kong for a total consideration of approximately HK$1,574,000 (exclusive of transaction costs).

FIVE YEARS FINANCIAL SUMMARY

Results

	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000
Revenue	**162,433**	118,688	87,588	84,512	51,158
(Loss)/profit before income tax	**(38,045)**	3,488	(6,534)	18,269	7,069
Income tax credit/(expenses)	**60**	(1,268)	(1,295)	(2,975)	(1,162)
(Loss)/profit attributable to the owners of the Company for the year	**(35,158)**	2,450	(7,829)	15,294	5,907
Total comprehensive (expenses)/income attributable to the owners of the Company for the year	**(35,525)**	2,849	(7,807)	15,294	5,907

Assets and Liabilities

	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000
Total assets	**173,119**	129,024	108,076	41,145	29,143
Total liabilities	**105,255**	40,633	22,281	23,592	21,384
Net assets	**67,864**	88,391	85,795	17,553	7,759
Non-controlling interests	**3,080**	253	—	—	—
Equity attributable to owners of the Company for the year	**70,944**	88,644	85,795	17,553	7,759

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