



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

FIRST QUARTERLY REPORT
第一季度報告 2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

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

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

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MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

The Group's business was established since 1999 under the name of AL Design & Associates Limited ("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 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. 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, during the three months ended 31 March 2020, our number of projects decreased by approximately 13.3% over the same period in 2019. The total revenue decreased by approximately 22.9% to approximately HK\$26.6 million, while the average revenue per project has decreased to approximately HK\$1.02 million from approximately HK\$1.15 million over the same period in 2019.

The tables below summarised the number of on-going and completed projects and revenue, by type of service and customer, and the average revenue per project during the three months ended 31 March 2020 respectively and their comparative figures:

In terms of Number of Projects*

	For the three months ended 31 March		
	2020	2019	Change
Design and fit out/Design only			
Office	22	18	22.2%
Commercial	3	8	(62.5%)
Residential	1	4	(75.0%)
Total	26	30	(13.3%)

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In terms of Revenue*

In HK\$' million	For the three months ended 31 March		
	2020	2019	Change
Design and fit out/Design only			
Office	25.4	10.4	144.2%
Commercial	0.6	23.0	(97.4%)
Residential	0.6	1.1	(45.5%)
Total	26.6	34.5	(22.9%)

Average Revenue per Project*

In HK\$' million	For the three months ended 31 March		
	2020	2019	Change
Revenue	26.6	34.5	(22.9%)
Number of projects	26	30	(13.3%)
Average revenue per project	1.02	1.15	(11.3%)

* excluding those relating to maintenance and aftersales service

The Group continued to be awarded projects in 2020 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 2018 which will come online and contribute to the total revenue in the later time of 2020 and beyond. As at the date of this report, our Group has secured a number of projects with total project sum of approximately HK\$80.9 million, for which no work has commenced prior to 31 March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Financial Overview

In HK\$' million	For the three months ended 31 March	
	2020	2019
Revenue	26.7	34.7
Gross Profit ^(Note 1)	4.3	5.3
Gross Profit Margin	16.0%	15.3%
Adjusted EBITDA ^(Note 2)	(1.8)	(1.7)
Loss for the period attributable to owners of the Company	(3.9)	(2.9)

Note 1: The Group's gross profit represents revenue less subcontracting and material 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 right-of-use assets 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 three months ended 31 March 2020, the Group's revenue decreased when compared to the same period in 2019. The Group's revenue amounted to approximately HK\$26.7 million, representing a decrease of approximately 22.8% from the same period in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's gross profit for the three months ended 31 March 2020 amounted to approximately HK\$4.3 million, representing a decrease of approximately 19.2% over the same period in 2019 as a result of the epidemic of Coronavirus Disease 2019 and keen competition in the market. Gross profit margin increase from approximately 15.3% to approximately 16.0%. The slight increase in gross profits margin was mainly due to relatively larger projects continued to contribute revenue in 2020. Whilst the larger projects tend to incur additional subcontracting costs, management is able to tighten the cost control and resulted in a better profit margin. The larger projects enhanced the Group's reputation, maintained a competitive advantage in the market and achieved business growth even in an unstable business environment.

The Group's operating expenses for the three months ended 31 March 2020 were approximately HK\$7.1 million when compared to approximately HK\$7.5 million for the same period in 2019. The decrease in operating expenses was mainly due to reduction of administrative expenses.

For the three months ended 31 March 2020, the Group's adjusted EBITDA amounted to approximately HK\$-1.8 million as compared to approximately HK\$-1.7 million for the same period in 2019, mainly driven by the decline in the overall gross profit for the Group's business. The Group recorded a loss attributable to owners of the Company of approximately HK\$3.9 million for the three months ended 31 March 2020 when compared to a loss attributable to owners of the Company of approximately HK\$2.9 million for the same period in 2019. Besides the effect of decline in the overall gross profit mentioned above, such change was mainly attributable to a loss on change in fair value of financial assets at fair value through profit or loss for the three months ended 31 March 2020 when compared to a gain on change in fair value of financial assets at fair value through profit or loss for the same period in 2019 and an increase in finance cost due to increase in borrowings during 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Liquidity, Financial Resources and Capital Structure

The Group practiced prudent financial management and maintained a strong and sound financial position during the three months ended 31 March 2020. As of 31 March 2020, the Group had cash and cash equivalents of approximately HK\$24.2 million (31 December 2019: approximately HK\$22.1 million).

The current ratio, being the ratio of current assets to current liabilities, was approximately 1.3 times as at 31 March 2020 (31 December 2019: 1.4 times).

As at 31 March 2020, the Group had total liabilities of approximately HK\$118.3 million (31 December 2019: approximately HK\$116.5 million) which mainly comprise of trade and other payables, contract liabilities, amount due to non-controlling interest, lease liabilities and borrowings amounting to approximately HK\$69.9 million (31 December 2019: approximately HK\$68.7 million) and promissory note payable of approximately HK\$48.4 million (31 December 2019: \$47.8 million).

As at 31 March 2020, the gearing ratio, expressed as a percentage of non-current debt over net assets was approximately 2,492.5% (31 December 2019: 688.3%). The increase in gearing ratio was mainly resulted by the loss incurred by the Group during this Period which decrease the net assets of the Group. The management will timely monitor the financial position of the Group and deleverage the gearing when appropriate.

The shares of the Company were listed on the GEM Board of the Stock Exchange on 12 July 2016. As at 31 March 2020, the Company's total number of issued shares was 595,000,000 (31 December 2019: 595,000,000) 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.

Contingent Liabilities and Capital Commitments

Certain customers of design and fit out contracts undertaken by the Group require a group entity to issue guarantees for performance of contract works in the form of surety bonds.

As at 31 March 2020, the Group had paid a refundable deposit of HK\$706,000 (31 December 2019: HK\$706,000) and, together with certain directors of a subsidiary, had also given counter indemnities to an insurance company for a surety bond issued in favour of a customer by the insurance company amounted to HK\$2,354,000 (31 December 2019: HK\$2,354,000) which remained outstanding as at 31 March 2020. Where the Group fails to provide satisfactory performance to the customer, the customer may demand the insurance company to pay the sum stipulated in the surety bond and the Group may then become liable to compensate the insurance company accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Save as disclosed herein, the Group has no other material contingent liabilities (31 December 2019: Nil) and any material capital commitments as at 31 March 2020 (31 December 2019: Nil).

Interim Dividend

The board of the Directors of the Company (the "Board") does not declare any interim dividend for the three months ended 31 March 2020 (2019: Nil).

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the three months ended 31 March 2020.

On 29 April 2020, Fasty Aim Limited ("Fasty Aim"), a direct wholly-owned subsidiary of the Company and Ms. To Kit Yan Yuki (the "Vendor") entered into a sale and purchase agreement (the "Acquisition"), pursuant to which, Fasty Aim has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire issued share capital of YTO Limited (the "Target Company") for a total consideration of HK\$4,480,000, which will be fully satisfied by the allotment and issue of 112,000,000 shares (the "Consideration Shares") of the Company, representing approximately 15.84% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. Completion of the transaction took place on 8 May 2020. For details of the Acquisition, please refer to the announcement of the Company dated 29 April 2020.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the three months ended 31 March	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	26,749	34,671
Other income	4	91	176
Other (loss)/gains, net	5	(664)	209
Subcontracting and materials costs		(22,474)	(29,377)
Operating expenses		(7,072)	(7,518)
Operating loss		(3,370)	(1,839)
Finance income		–	4
Finance cost		(1,172)	(803)
Share of loss of associates		(59)	(257)
Loss before income tax		(4,601)	(2,895)
Income tax expense	6	–	(3)
Loss for the period		(4,601)	(2,898)
Loss for the period attributable to:			
Owners of the Company		(3,856)	(2,905)
Non-controlling interests		(745)	7
Loss for the period		(4,601)	(2,898)
Other comprehensive expense			
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		(440)	(23)
Other comprehensive expense for the period, net of tax		(440)	(23)
Total comprehensive expense for the period, net of tax		(5,041)	(2,921)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(4,296)	(2,928)
Non-controlling interests		(745)	7
		(5,041)	(2,921)
Loss per share	7	HK Cents	HK Cents
Basic		(0.65)	(0.49)
Diluted		N/A	N/A

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000 (unaudited)	Share premium HK\$'000 (unaudited)	Other reserve HK\$'000 (unaudited)	Investment revaluation HK\$'000 (unaudited)	Accumulated losses HK\$'000 (unaudited)	Total HK\$'000 (unaudited)	Non-controlling interest HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
At 1 January 2019	5,950	82,012	5,922	54	(22,994)	70,944	(3,080)	67,864
(Loss)/profit for the period	-	-	-	-	(2,905)	(2,905)	7	(2,898)
Other comprehensive expense for the period	-	-	-	(23)	-	(23)	-	(23)
Total comprehensive expense for the period, net of tax	-	-	-	(23)	(2,905)	(2,928)	7	(2,921)
At 31 March 2019	5,950	82,012	5,922	31	(25,899)	68,016	(3,073)	64,943
At 1 January 2020	5,950	82,012	5,922	(46)	(79,427)	14,411	(7,412)	6,999
Loss for the period	-	-	-	-	(3,856)	(3,856)	(745)	(4,601)
Other comprehensive expense for the period	-	-	-	(440)	-	(440)	-	(440)
Total comprehensive expense for the period, net of tax	-	-	-	(440)	(3,856)	(4,296)	(745)	(5,041)
At 31 March 2020	5,950	82,012	5,922	(486)	(83,283)	10,115	(8,157)	1,958

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. General Information

AL Group Limited (the “Company”) was incorporated in the Cayman Islands on 1 February 2016 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, 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)”) were listed on the GEM of The Stock Exchange of Hong Kong Limited since 12 July 2016 (the “Listing Date”).

These unaudited condensed consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), and all values are rounded to nearest thousand’s (“HK\$’000”) except when otherwise stated.

2. Basis of Preparation and Presentation

This condensed consolidated financial information for the three months ended 31 March 2020 has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and the requirements of the Hong Kong Companies Ordinance (“HKCO”) Cap. 622 and the GEM Listing Rules. The condensed consolidated financial information does not include all information and disclosures as required in the annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with HKFRS. The condensed consolidated financial information has been prepared on a historical cost basis, except for certain financial assets which are measured at fair value.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3. Revenue

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

	For the three months ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Design and fit out	26,632	34,304
Design	–	200
Maintenance and aftersales services	117	167
	26,749	34,671

4. Other income

	For the three months ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Dividend income from equity investments at fair value through other comprehensive income	–	41
Sundry income	91	135
	91	176

5. Other (loss)/gains, net

	For the three months ended 31 March	
	2020 HK\$'000	2019 HK\$'000
(Loss)/gain on change in fair value of financial assets at fair value through profit or loss		
— Net unrealised (loss)/gain on listed securities	(664)	609
— Net realised loss on disposal of listed securities	–	(405)
	(664)	204
Foreign exchange gains	–	5
	(664)	209

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rate of taxation prevailing in the countries in which the Group operations.

	For the three months ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Current income tax	–	3

7. Loss per share

Basic loss per share is calculated by dividing the loss for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	For the three months ended 31 March	
	2020	2019
Loss for the period attributable to owners of the Company (in HK\$'000)	(3,856)	(2,905)
Weighted average number of ordinary shares ('000)	595,000	595,000
Basic loss per share (in HK cents)	(0.65)	(0.49)

No diluted loss/earnings per share is presented for both of the three months ended 31 March 2020 and 31 March 2019 as there were no potential ordinary shares in issue during those periods.

SUPPLEMENTARY INFORMATION

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 March 2020, there was no option outstanding, granted, cancelled, exercised or lapsed.

As at the date of this report, the total number of shares of the Company available for issue under the Share Option Scheme was 48,000,000 shares, representing approximately 6.8% of the number of issued share of the Company.

SUPPLEMENTARY INFORMATION (CONTINUED)

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 March 2020, 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 associated corporation

Name of directors	Name of associated corporation	Capacity/Nature	No. of ordinary shares held	% of the issued voting shares of associated corporation
Mr. Wong Kang Man	ACE Architectural and Interior Design Limited	Interest in controlled corporation	3,500	35%

Save as disclosed above, as at 31 March 2020, 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.

SUPPLEMENTARY INFORMATION (CONTINUED)

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

As at 31 March 2020, 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
Mr. Sun Fulin	Beneficial owner	144,000,000	24.2%
Climb Up Limited ("Climb up") ^(Note)	Beneficial owner	115,000,000	19.3%
Mr. Wong Yu Ki Andy ^(Note)	Interest in controlled corporation	115,000,000	19.3%
Mr. Lam Lesile ^(Note)	Interest in controlled corporation	115,000,000	19.3%

Note: 115,000,000 shares are owned by Climb Up. Climb Up is a company incorporated in the British Virgin Islands with limited liability. The entire share capital of Climb Up is owned as to 50% by Mr. Wong Yu Ki Andy and 50% by Mr. Lam Lesile.

Save as disclosed above, as at 31 March 2020, 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.

SUPPLEMENTARY INFORMATION (CONTINUED)

Rights to Acquire Shares or Debentures

Other than the Share Option Scheme and as disclosed under the sections “Directors and Chief Executive’s Interests and/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” above, at no time during the three months ended 31 March 2020 was the Company or any of its subsidiaries, or any of its fellow subsidiaries or any associated corporations, a party to any arrangement to enable the directors or chief executive of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Interests in Competing Businesses

During the three months ended 31 March 2020, none of the directors, or any of their respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict of interests with the Group, save for the followings:

Mr. Wong Kang Man (“Mr. Wong”), an executive Director of the Company, is a director of ACE Architectural and Interior Design Limited (“ACE”), which is a non-wholly owned subsidiary of the Group and ACE is principally engaged in the interior design business in Hong Kong. Such company has been operating independently and the respective board composition of such company is different and separate. In this respect, coupled with the diligence of the Independent Non-executive Directors, the Group was capable of carrying on its business independently of, and at arm’s length from, the business of such company.

Code on Corporate Governance Practices

During the three months ended 31 March 2020, 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.

Compliance of Code of Conduct for Directors’ Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by our Company during the three months ended 31 March 2020.

SUPPLEMENTARY INFORMATION (CONTINUED)

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2020.

Audit Committee

The Company established an audit committee on 15 June 2016 with written terms of reference (as adopted and amended on 31 December 2018) in compliance with Rule 5.28 of the GEM Listing Rules and the CG Code as set out in Appendix 15 to the GEM Listing Rules. The audit committee comprises three independent non-executive Directors, namely, Mr. Tse Chi Shing (Chairman), Mr. Tse Wai Hei and Mr. Tam Chak Chi. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the internal control procedures of our Company.

The audit committee has reviewed the accounting principles and practices adopted by the Group and has discussed with the management regarding the auditing and financial reporting matters. The audit committee has discussed and reviewed the unaudited financial information and the first quarterly report for the three months ended 31 March 2020.

As at the date of this report, the executive Directors are Mr. Lam Chung Ho, Alastair, Mr. Kwan Tek Sian and Mr. Wong Kang Man; and the independent non-executive Directors are Mr. Tse Chi Shing, Mr. Tse Wai Hei and Mr. Tam Chak Chi.