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AL Group

AL GROUP LIMITED 利駿集團(香港)有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8360

THIRD
QUARTERLY
REPORT
2022



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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

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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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MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

AL Group Limited (the “Company”) 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 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 nine months ended 30 September 2022, the total revenue increased by approximately 64% and the number of projects increased by 29.4% over the same period in 2021. The average revenue per project increased by approximately 27.8% from the same period in 2021 to approximately HK\$2.3 million.

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 nine months ended 30 September 2022 respectively and their comparative figures:

In terms of number of Projects*

	For the nine months ended		
	30 September		
	2022	2021	Change
Design and fit out/Design only			
Office	22	17	29.4%
Commercial	15	10	50.0%
Residential	7	7	0.0%
Total	44	34	29.4%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In terms of Revenue*

In HK\$' million	For the nine months ended		
	30 September	2021	Change
	2022		
Design and fit out/Design only			
Office	31.8	38.4	(17.2)%
Commercial	67.4	18.4	266.3%
Residential	3.6	5.7	(36.8)%
Total	102.8	62.5	64.5%

Average Revenue per Project*

In HK\$' million	For the nine months ended		
	30 September	2021	Change
	2022		
Revenue	102.8	62.5	64.5%
Number of projects	44	34	29.4%
Average revenue per project	2.3	1.8	27.8%

* excluding those relating to maintenance and aftersales service

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Financial Overview

In HK\$' million	For the nine months ended	
	30 September	2021
	2022	
Revenue	103.5	63.1
Gross Profit (Note 1)	14.3	12.5
Gross Profit Margin	13.8%	19.9%
Adjusted EBITDA (Note 2)	(2.0)	(7.9)
Loss for the period attributable to owners of the Company	(4.1)	(12.9)

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, excluding impairment loss on trade receivables, net, depreciation of property, plant and equipment and right-of-use assets (2021: finance interest income and cost, other gains/losses, excluding written off and impairment loss on trade receivables, net, impairment loss on contract assets, 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 nine months ended 30 September 2022, the Group's revenue increased when compared to the same period in 2021. The Group's revenue amounted to approximately HK\$103.5 million, representing an increase of approximately 64.0% from the same period in 2021.

The Group's gross profit for the nine months ended 30 September 2022 amounted to approximately HK\$14.3 million, representing an increase of approximately 14.4% over the same period in 2021. Gross profit margin decreased from approximately 19.9% to approximately 13.8%, which was mainly due to in spite of the unstable economic condition and adverse business environment. During COVID-19 pandemic, there is a shortage of labour and increase in material cost.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's total operating expenses (Note 3) for the nine months ended 30 September 2022 were approximately HK\$18.2 million when compared to approximately HK\$22.8 million for the same period in 2021.

Note 3: The Group's total operating expenses represented the aggregate of employee benefit expenses and other expenses as shown in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

For the nine months ended 30 September 2022, the Group's adjusted EBITDA amounted to approximately HK\$-2.0 million as compared to approximately HK\$-7.9 million for the same period in 2021, mainly driven by the effects of the increase in the overall gross profit for the Group's business and the decrease in total operating expenses. The Group recorded a loss attributable to owners of the Company of approximately HK\$4.1 million for the nine months ended 30 September 2022 when compared to a loss attributable to owners of the Company of approximately HK\$12.9 million for the same period in 2021. Besides the effect of increase in the overall gross profit mentioned above, such change was mainly attributable to a decrease of finance cost on promissory note payable and a decrease on total operating expenses for the nine months ended 30 September 2022 when compared to the same period in 2021.

Liquidity, Financial Resources and Capital Structure

The Group practiced prudent financial management and maintained a strong and sound financial position during the nine months ended 30 September 2022. As of 30 September 2022, the Group had cash and cash equivalents of approximately HK\$14.5 million (31 December 2021: approximately HK\$27.4 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.0 times as at 30 September 2022 (31 December 2021: approximately 1.1 times).

As at 30 September 2022, the Group had total liabilities of approximately HK\$69.2 million (31 December 2021: approximately HK\$63.8 million) which mainly comprise of trade and other payables, contract liabilities, amount due to non-controlling interest, income tax payable, lease liabilities and borrowings.

As at 30 September 2022, the gearing ratio, expressed as a percentage of interest-bearing debt (borrowings) over total assets was 21.9% (31 December 2021: 22.3%). It was mainly resulted by the increase in total assets of the Group and the repayment of the promissory note. The management will timely monitor the financial position of the Group and improve the financial position in a timely manner.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The shares of the Company were listed on the GEM Board of the Stock Exchange on 12 July 2016. As at 30 September 2022, the Company's total number of issued shares was 355,360,000 at HK\$0.1 each (31 December 2021: 355,360,000 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 30 September 2022, the Group had paid a refundable deposit of HK\$Nil (31 December 2021: HK\$588,000) 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\$Nil (31 December 2021: HK\$1,960,000) which remained outstanding as at 30 September 2022. 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.

Save as disclosed herein, the Group has no other material contingent liabilities (31 December 2021: Nil) and any material capital commitments as at 30 September 2022 (31 December 2021: Nil).

Interim Dividend

The board of the Directors of the Company (the "Board") does not declare any interim dividend for the nine months ended 30 September 2022 (2021: 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 30 September 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Significant Investments Held

As at 30 September 2022, the Group held approximately HK\$1.1 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. Details of the significant listed equity investments are as follows:

			Loss on change in fair value	Market value	Approximate percentage of equity investment	Approximate percentage to the total asset	Approximate percentage to the interest in the respective investments as at 30 September 2022	Realised loss on investment
	Place of Notes incorporation		HK\$'000	HK\$'000	%	%	%	HK\$'000
HSBC Holdings plc (0005.hk)	1	England	149	1,088	100.0	1.7	<0.01	–
Gain Plus Holdings Limited (9900.hk)	2	Cayman Islands	–	N/A	N/A	N/A	0.0	114.8
			149	1,088	100	1.7		114.8

Notes:

1. HSBC Holdings plc (HSBC) is the banking and financial services company. Dividend of approximately HK\$37,000 was received during the period.
2. 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 period.

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 30 September 2022.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The board of Directors (the “Board”) of AL Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 30 September 2022 together with the comparative figures as follows:

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months/nine months ended 30 September 2022

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3	38,655	22,835	103,467	63,103
Other income	4	201	162	446	456
Other gains/(losses)	5	–	31	(768)	524
Subcontracting and materials costs		(31,416)	(19,381)	(89,190)	(50,572)
Employee benefit expenses		(4,046)	(3,482)	(12,537)	(13,888)
Other expenses		(2,148)	(1,170)	(5,695)	(8,944)
Operating profit/(loss)		1,246	(1,005)	(4,277)	(9,321)
Finance costs		(309)	(1,368)	(706)	(4,158)
Share of results of associate		–	–	–	(96)
Profit/(loss) before tax		937	(2,373)	(4,983)	(13,575)
Income tax credit	6	–	–	–	72
Profit/(loss) for the period		937	(2,373)	(4,983)	(13,503)
Profit/(loss) for the period attributable to:					
Owners of the Company		882	(2,516)	(4,141)	(12,921)
Non-controlling interests		55	143	(842)	(582)
		937	(2,373)	(4,983)	(13,503)

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the three months/nine months ended 30 September 2022

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Other comprehensive (expenses)/income					
Items that will not be reclassified to profit or loss					
Changes in the fair value of financial assets at the fair value through other comprehensive income		(274)	(103)	(149)	8
Other comprehensive (expenses)/income for the period, net of tax		(274)	(103)	(149)	8
Total comprehensive income/(expenses) for the period		663	(2,476)	(5,132)	(13,495)
Total comprehensive income/(expenses) for the period attributable to:					
Owners of the Company		608	(2,619)	(4,290)	(12,913)
Non-controlling interests		55	143	(842)	(582)
		663	(2,476)	(5,132)	(13,495)
		HK cents	HK cents	HK cents	HK cents
Profit/(loss) per share					
Basic		0.25	(1.23)	(1.17)	(9.92)
Diluted		N/A	N/A	N/A	N/A

The above unaudited condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

Unaudited Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2022

	Attributable to owners of the Company						Total HK\$'000	Non- controlling interest HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Investment revaluation HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000			
At 1 January 2022	35,536	131,924	5,922	(414)	150	(149,784)	23,334	(21,593)	1,741
Loss for the period	-	-	-	-	-	(4,141)	(4,141)	(842)	(4,983)
Other comprehensive expense									
Loss on changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	(149)	-	-	(149)	-	(149)
Total comprehensive expense for the period	-	-	-	(149)	-	(4,141)	(4,290)	(842)	(5,132)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	22	22	(85)	(63)
At 30 September 2022	35,536	131,924	5,922	(563)	150	(153,903)	19,066	(22,520)	(3,454)
At 1 January 2021	8,724	88,517	5,922	(579)	488	(117,465)	(14,393)	(11,585)	(25,978)
Loss for the period	-	-	-	-	-	(12,921)	(12,921)	(582)	(13,503)
Other comprehensive expense									
Gain on changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	8	-	-	8	-	8
Total comprehensive expense for the period	-	-	-	8	-	(12,921)	(12,913)	(582)	(13,495)
Issue of shares upon exercise of share options	160	866	-	-	(338)	-	688	-	688
Issue of new shares upon right issues	26,652	45,308	-	-	-	-	71,960	-	71,960
Share issue expenses	-	(2,767)	-	-	-	-	(2,767)	-	(2,767)
At 30 September 2021	35,536	131,924	5,922	(571)	150	(130,386)	42,575	(12,167)	30,408

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

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, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company has established a place of business in Hong Kong at Suite 807, 8/F, Harcourt House, 39 Gloucester Road, Wan Chai, 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 GEM of the Stock Exchange of Hong Kong Limited on 12 July 2016.

This unaudited condensed consolidated financial information is presented in Hong Kong dollars (“HK\$”), and all values are rounded to nearest thousands (“HK\$’000”) except when otherwise stated.

2. Basis of preparation

The Unaudited Condensed Interim Financial Statements has been prepared on a going concern basis, notwithstanding the fact that the Group had net liabilities of HK\$3,454,000 as at 30 September 2022 respectively. In the opinion of the directors, the Group is able to operate as a going concern and has sufficient working capital to finance its operations to meet its financial obligations when they fall due for at least twelve months from the date of announcement of these condensed interim financial statements after taking into consideration the following:

- (a) The Group is implementing various measures, such as optimising its overall sales network and undergoing effective cost control to improve the profit margin and operating cash flows of its business.
- (b) The Group will also continue to seek for other alternative financing and bank borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditure.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2. Basis of preparation (continued)

Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying amounts of the Group's assets to their net realisable amounts, to provide for further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the condensed interim financial statements.

3. Revenue

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Design and fit out	38,436	22,676	102,764	62,452
Design	–	12	–	61
Maintenance and aftersales services	219	147	703	590
	38,655	22,835	103,467	63,103

4. Other income

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Dividend income from financial assets through other comprehensive income	–	–	37	31
Sundry income	201	162	409	425
	201	162	446	456

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5. Other gains/(losses)

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Gain/(loss) on change in fair value of financial assets at fair value through profit or loss				
– Net unrealised gain on listed securities	–	135	–	289
– Net realised loss on disposal on listed securities	–	–	(115)	–
	–	135	(115)	289
Impairment loss on trade receivables	–	(2)	(966)	(19)
Reversal of impairment loss on trade receivables	–	–	313	88
Gain on disposal of subsidiary	–	–	–	53
Gain on disposal of property, plant and equipment	–	–	–	114
Gain on disposal of associate	–	–	–	101
Loss on early repayment of promissory note	–	(102)	–	(102)
	–	31	(768)	524

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% (2021: 16.5%) on the estimated assessable profits for the nine months ended 30 September 2022. The Group is not subject to taxation in the Cayman Islands or the British Virgin Islands.

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current income tax	–	–	–	–
Deferred tax credit	–	–	–	(72)
Income tax credit	–	–	–	(72)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7. Earnings/(loss) per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue, as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Earnings/(loss) attributable to owners of the Company (in HK\$'000)	882	(2,516)	(4,141)	(12,921)
Weighted average number of ordinary shares in issue ('000)	355,360	204,176	355,360	130,209
Basic earnings/(loss) per share (in HK cents)	0.25	(1.23)	(1.17)	(9.92)

Diluted earnings/(loss) per share

Diluted earnings/(loss) per share for the nine months ended 30 September 2022 and 30 September 2021 are not presented as the effects arising from exercise of the company's share options granted are anti-dilutive.

SUPPLEMENTARY INFORMATION

Share Option Scheme

The Company's share option scheme (the "Scheme") was conditionally adopted pursuant to a resolution passed by its sole shareholder on 15 June 2016 and become unconditional on 12 July 2016 for the purpose of attracting and retaining the best available personnel, to provide additional incentive to selected participants, including directors and eligible employees of the Group to promote the success of the business of the Group. The Scheme became effective on 15 June 2016 for a period of 10 years.

The subscription price of the options granted is the highest of (i) the closing price of the Company's shares on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date offer of grant; (iii) the nominal value of the share.

The maximum number of shares of the Company which may be issued upon exercise of all options granted under the Scheme or other schemes adopted by the Company must not in aggregate exceed 30% of its issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Company must not exceed 10% of the shares in issue upon the date on which the shares are listed and permitted to be dealt in the Stock Exchange.

No share option was granted during the nine months ended 30 September 2022 and 30 September 2021.

SUPPLEMENTARY INFORMATION (CONTINUED)

Movements in the number of share options during the nine months ended 30 September 2022 and the year ended 31 December 2021 are as follows:

	Weighted average exercise price HK\$	Number of share options		
		Employees	Others	Total
		'000	'000	'000
At 1 January 2021	0.043	16,000	8,000	24,000
Exercised during the year	0.043	(8,000)	(8,000)	(16,000)
Adjustment made for the share consolidation		(7,200)	–	(7,200)
Adjustment made for the rights issue		147	–	147
At 31 December 2021 (Audited) and 30 September 2022 (Unaudited)	0.363	947	–	947
Exercisable at 30 September 2022	0.363	947	–	947
Exercisable at 31 December 2021	0.363	947	–	947

SUPPLEMENTARY INFORMATION (CONTINUED)

The exercise price and exercise period of the share options outstanding as at the end of the reporting period are as follows:

30 September 2022		
Number of options	Exercise price per share	Exercise period
'000	HK\$	
947	0.363	9 October 2020 to 8 October 2030

31 December 2021		
Number of options	Exercise price per share	Exercise period
'000	HK\$	
947	0.363	9 October 2020 to 8 October 2030

At the end of the reporting period, the Company had approximately 947,000 (31 December 2021: 947,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the capital structure of the Company as at 30 September 2022, result in the issue of approximately 947,000 (31 December 2021: 947,000) additional ordinary shares of the Company which would give rise to the total proceeds of HK\$344,000 (31 December 2021: HK\$344,000).

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 30 September 2022, none of the directors and chief executive 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 Rules 5.48 to 5.67 of the GEM Listing Rules.

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

As at 30 September 2022, the Company had not been notified by any persons (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Rights to Acquire Shares or Debentures

Other than the Share Option Scheme and as disclosed under the sections "Directors and Chief Executive's Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any specific Undertaking of the Company or any other Associated Corporation" above, at no time during the nine months ended 30 September 2022 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.

SUPPLEMENTARY INFORMATION (CONTINUED)

Directors' Interests in Competing Businesses

During the nine months ended 30 September 2022, 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.

Code on Corporate Governance Practices

During the nine months ended 30 September 2022, 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 nine months ended 30 September 2022.

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 nine months ended 30 September 2022.

SUPPLEMENTARY INFORMATION (CONTINUED)

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 third quarterly report for the nine months ended 30 September 2022.

As at the date of this report, the executive Directors are Mr. Kwan Tek Sian, Mr. Wong Kin Yeung and Mr. Chan Hung Kai; and the independent non-executive Directors are Mr. Tse Chi Shing, Mr. Tse Wai Hei and Mr. Tam Chak Chi.