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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)

(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 2018

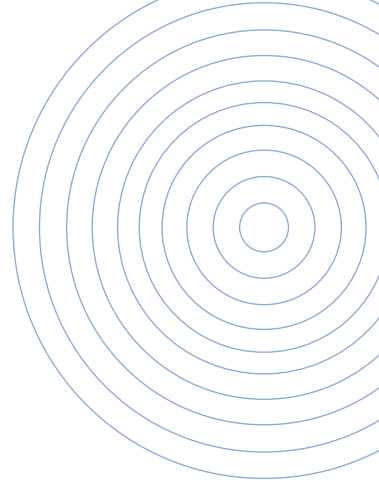
CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

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

In addition, the Group acquired 60% interest of Ace Architectural and Interior Design Limited ("ACE") in November 2017 and as a result, ACE is a non-wholly owned subsidiary of the Group. ACE is principally engaged in interior design business in Hong Kong. The management believes that synergies between the companies can enable the Group to optimise returns and earnings.

Excluding projects relating to maintenance and aftersales service, during the three months ended 31 March 2018, our number of projects increased by approximately 73.3% over the same period in 2017. The total revenue increased by approximately 84.4% to approximately HK\$33.0 million, while the average revenue per project has increased to approximately HK\$1.27 million from approximately HK\$1.19 million over the same period in 2017.

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 three months ended 31 March 2018 respectively and their comparative figures:

In terms of Number of Projects*

	For the three months ended 31 March		
	2018	2017	Change
Design and fit out/Design only			
Office	19	10	90.0%
Commercial	3	2	50.0%
Residential	4	3	33.3%
Total	26	15	73.3%

In terms of Revenue*

In HK\$' million	For the three months ended 31 March		
	2018	2017	Change
Design and fit out/Design only			
Office	29.7	11.4	160.5%
Commercial	0.7	4.7	(85.1%)
Residential	2.6	1.8	44.4%
Total	33.0	17.9	84.4%

Average Revenue per Project*

In HK\$' million	For the three months ended 31 March		
	2018	2017	Change
Revenue	33.0	17.9	84.4%
Number of projects	26	15	73.3%
Average revenue per project	1.27	1.19	6.7%

* excluding those relating to maintenance and aftersales service

The Group continued to be awarded projects in 2018 by existing and new customers who valued the Group's reputation, proven track record and experience in the industry. The Group has a number of projects in the pipeline that were built up since 2016 which will come online and contribute to the total revenue in the later time of 2018 and beyond. As at the date of this report, our Group has secured project contracts with total contract sum of over HK\$46 million, for which no work has commenced prior to 31 March 2018.

MANAGEMENT DISCUSSION AND
ANALYSIS (CONTINUED)

Financial Overview

In HK\$' million	For the three months ended 31 March	
	2018	2017
Revenue	33.6	18.2
Gross Profit ^(Note 1)	8.4	6.6
Gross Profit Margin	25.2%	36.1%
EBITDA ^(Note 2)	5.7	0.9
Profit for the period attributable to owners of the Company	4.3	0.4

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

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

For the three months ended 31 March 2018, the Group's revenue increased significantly when compared to the same period in 2017. The Group's revenue amounted to approximately HK\$33.6 million, representing a double-digit growth of approximately 84.5% from the same period in 2017, mainly driven by the additional revenue from the non-wholly owned subsidiary which was acquired in November 2017.

The Group's gross profit for the three months ended 31 March 2018 amounted to approximately HK\$8.4 million, representing an increase of approximately 28.5% over the same period in 2017. Gross profit margin decreased from approximately 36.1% to approximately 25.2%, which was mainly due to the relatively larger projects (with individual contract sum over HK\$5 million) continued to contribute revenue in 2018, while the projects had incurred more costs than anticipated and resulted in a lower profit margin. The relatively larger projects enhanced the Group's reputation and achieved our business growth. The Group will take in-depth analysis in the future in order to better control our costs.

The Group's total operating expenses ^(Note 3) for the three months ended 31 March 2018 were approximately HK\$7.8 million when compared to approximately HK\$6.1 million for the same period in 2017. The increase in total operating expenses was mainly due to the additional staff costs, rental expenses and depreciation expenses from the non-wholly owned subsidiary.

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

For the three months ended 31 March 2018, the Group's EBITDA amounted to approximately HK\$5.7 million as compared to approximately HK\$0.9 million for the same period in 2017. The Group's net profit increased to approximately HK\$4.3 million for the three months ended 31 March 2018 when compared to approximately HK\$0.4 million for the same period in 2017. The increase of EBITDA and net profit between the three months ended 31 March 2018 and 2017 were primarily attributable to the fair value gain of financial assets at fair value through profit or loss of approximately HK\$4.7 million.

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 2018. As of 31 March 2018, the Group had cash and cash equivalents of approximately HK\$41.3 million (31 December 2017: approximately HK\$57.9 million). The decrease in cash and cash equivalents was mainly due to utilisation of the proceeds from the Company's listing and investment in listed securities during the three months ended 31 March 2018.

The current ratio, being the ratio of current assets to current liabilities, was approximately 2.6 times as at 31 March 2018 (31 December 2017: 2.9 times). As at 31 March 2018, the Group did not have any outstanding borrowing (hence no gearing ratio of the Group was presented), other indebtedness, pledge of assets and did not have any utilized or unutilized bank facilities (31 December 2017: Nil). There was no finance cost incurred during the three months ended 31 March 2018.

The Company's capital comprises ordinary shares and capital reserves. The Group finances its working capital requirements through a combination our cash and cash equivalents and cash flows generated from operations.

Contingent Liabilities

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the three months ended 31 March	
	Notes	2018 HK\$ (Unaudited)	2017 HK\$ (Unaudited)
Revenue	3	33,578,786	18,202,117
Other income, net	4	4,549,417	35,996
Other losses	5	—	(6,853)
Subcontracting and materials costs		(25,132,749)	(11,629,549)
Employee benefit expenses		(4,982,100)	(3,777,477)
Rental expenses		(601,025)	(509,500)
Other expenses		(2,224,013)	(1,795,347)
Operating profit		5,188,316	519,387
Finance income		43,394	96,587
Profit before income tax		5,231,710	615,974
Income tax expense	6	(887,003)	(180,292)
		4,344,707	435,682
Profit for the period attributable to:			
Owners of the Company		4,253,803	435,682
Non-controlling interests		90,904	—
		4,344,707	435,682
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Fair value (losses)/gains on available-for-sale financial assets		(139,516)	23,251
Total comprehensive income for the period, net of tax		4,205,191	458,933
Total comprehensive income for the period attributable to:			
Owners of the Company		4,114,287	458,933
Non-controlling interests		90,904	—
		4,205,191	458,933
Basic and diluted earnings per share attributable to owners of the Company (in Hong Kong cents per share)	7	0.89	0.09

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$ (Unaudited)	Share premium HK\$ (Unaudited)	Other reserve HK\$ (Unaudited)	Available- for-sale financial assets revaluation reserve HK\$ (Unaudited)	Retained earnings HK\$ (Unaudited)	Total HK\$ (Unaudited)	Non- Controlling Interest HK\$ (Unaudited)	Total HK\$ (Unaudited)
As at 1 January 2017	4,800,000	65,336,977	5,921,989	22,081	9,714,000	85,795,047	—	85,795,047
Comprehensive income								
Profit for the period	—	—	—	—	435,682	435,682	—	435,682
Other comprehensive income								
Fair value gains on available- for-sale financial assets	—	—	—	23,251	—	23,251	—	23,251
Total comprehensive income, net of tax	—	—	—	23,251	—	23,251	—	23,251
As at 31 March 2017	4,800,000	65,336,977	5,921,989	45,332	10,149,682	86,253,980	—	86,253,980
As at 1 January 2018	4,800,000	65,336,977	5,921,989	420,818	12,164,328	88,644,112	(253,493)	88,390,619
Comprehensive income								
Profit for the period	—	—	—	—	4,253,803	4,253,803	90,904	4,344,707
Other comprehensive income								
Fair value losses available- for-sale financial assets	—	—	—	(139,516)	—	(139,516)	—	(139,516)
Total other comprehensive income, net of tax	—	—	—	(139,516)	—	(139,516)	—	(139,516)
As at 31 March 2018	4,800,000	65,336,977	5,921,989	281,302	16,418,131	92,758,399	(162,589)	92,595,810

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. General Information

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

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

The shares of the Company (the “Share(s)”) were listed on the 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\$”), unless otherwise stated.

2. Basis of Preparation and Presentation

This condensed consolidated financial information for the three months ended 31 March 2018 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 2017, which have been prepared in accordance with HKFRS. The condensed consolidated financial information has been prepared on a historical cost basis, except for available-for-sale financial assets, financial assets and liabilities — measured at fair value.

NOTES TO THE 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	
	2018 HK\$	2017 HK\$
Design and fit out	32,991,514	15,669,779
Design	42,000	2,263,000
Maintenance and aftersales services	545,272	269,338
	33,578,786	18,202,117

4. Other Income, net

	For the three months ended 31 March	
	2018 HK\$	2017 HK\$
Dividend income on available-for-sale financial assets	35,868	35,996
Sundry income	40,151	—
Fair value gains on financial assets at fair value through profit or loss	4,655,858	—
Disposal loss on financial assets at fair value through profit or loss	(182,460)	—
	4,549,417	35,996

5. Other Losses

	For the three months ended 31 March	
	2018 HK\$	2017 HK\$
Foreign exchange losses	—	6,853
	—	6,853

6. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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	
	2018 HK\$	2017 HK\$
Current income tax	887,003	180,292

NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL INFORMATION (CONTINUED)

7. Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the periods.

	For the three months ended 31 March	
	2018	2017
Profit attributable to owners of the Company (in HK\$)	4,253,803	435,682
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	480,000,000	480,000,000
Earnings per share (in HK cents)	0.89	0.09

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential shares.

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 2018, there was no option outstanding, granted, cancelled, exercised or lapsed.

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 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	30%

Note:

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

(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 March 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.

SUPPLEMENTARY
INFORMATION (CONTINUED)**Substantial Shareholder's Interests and/or Short Position in Shares and Underlying Shares of the Company**

As at 31 March 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	30%
Mr. Yau Chung Ping	Interest in controlled corporation	144,004,000	30%

Save as disclosed above, as at 31 March 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.

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 2018 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 and Conflict of Interests

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

During the three months ended 31 March 2018, none of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict of interests with the Group, save for the followings:

Mr. Wong Kang Man (“Mr. Wong”), an executive Director of the Company, is a director of Ace Architectural and Interior Design Limited (“ACE”), which is a non-wholly owned subsidiary of the Group and 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 three months ended 31 March 2018.

Code on Corporate Governance Practices

During the three months ended 31 March 2018, 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 2018.

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 2018.

Interests of the Compliance Adviser

As notified by VBG Capital Limited, the compliance adviser of our Company, save for the compliance adviser agreement entered into between the Company and VBG Capital limited dated 11 March 2016, neither VBG Capital Limited nor any of its close associates (as defined in the GEM Listing Rules) and none of the directors or employees of VBG Capital Limited had any interest in the share capital of the Company or any member of our Group (including options or rights to subscribe for such securities, if any) which is required to be notified to our Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 March 2018.

Audit Committee

The Company established an audit committee on 15 June 2016 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the CG Code as set out in Appendix 15 to the GEM Listing Rules. The audit committee comprises three independent non-executive Directors, namely, Mr. Tse Chi Shing (Chairman), Mr. Kloeden Daniel Dieter and Mr. Tse Wai Hei. 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 2018.

As at the date of this report, the executive Directors are Mr. Yau Chung Ping, Mr. Lam Chung Ho, Alastair and Mr. Wong Kang Man; and the independent non-executive Directors are Mr. Tse Chi Shing, Mr. Kloeden Daniel Dieter and Mr. Tse Wai Hei.



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