AL Group Limited
利駿集團（香港）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8360)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors (the "**Directors**") of AL Group Limited (the "**Company**") is pleased to announce the audited results of the Company and its subsidiaries (together as the "**Group**") for the year ended 31 December 2023.

This announcement, containing the full text of the annual report 2023 of the Group, complies with the relevant requirements of the Rules Governing the Listing of Securities on the GEM ("**GEM Listing Rules**") of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in relation to information to accompany preliminary announcements of annual results.

The Company's annual results announcement is published on the website of the Stock Exchange at http://www.hkgem.com and the Company's website at www.AL-Grp.com.

By Order of the Board
AL Group Limited
Chan Hung Kai
Chairman and Executive Director

Hong Kong, 28 March 2024

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Chan Hung Kai (Chairman), Mr. Kwan Tek Sian and Mr. Chung Kar Ho Carol; and three independent non-executive Directors, namely, Mr. Tse Chi Shing, Mr. Tse Wai Hei and Mr. Tam Chak Chi.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Listed Company Information" page of the Stock Exchange's website at http://www.hkexnews.hk for at least 7 days from the date of its publication and on the Company's website at www.AL-Grp.com.

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK 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 Stock 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

CONTENTS

CORPORATE INFORMATION

Executive Directors

M. Chan Hung Kai *(Chairman)*
Mr. Kwan Tek Sian
Mr. Chung Kar Ho Carol
(appointed on 6 December 2023)
Mr. Wong Kin Yeung *(Chief Executive Officer)*
(resigned on 3 January 2024)

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. Kwan Tek Sian
Mr. Tse Wai Hei

Nomination Committee

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

Company Secretary

Mr. Leung Tze Wai

Authorised Representatives

Mr. Kwan Tek Sian
Mr. Leung Tze Wai

Compliance Officer

Mr. Kwan Tek Sian

Registered Office

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

Principal Place of Business in Hong Kong

Unit 204A, 2/F, Century Centre,
44-46 Hung To Road,
Kwun Tong, Hong Kong

Independent Auditors

CCTH CPA Limited

Principal Bankers

Bank of China (Hong Kong) Limited
Bank of Communications (Hong Kong) Limited
Dah Sing Bank
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
17/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong

Stock Code

8360

Company Website

www.AL-Grp.com

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

AL Group Limited (the "Company") together with its subsidiaries (collectively referred to as the "Group"), principally derives its revenue from the following business arms: (i) Design and Fit Out Business, which provides integration of interior design, fit out solutions and repair and maintenance services in Hong Kong; and (ii) Securities Investment Business, which invests in equity securities listed in Hong Kong.

Design and Fit Out Business

The business was established in 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. 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.

Securities Investment Business

The Group established the Securities Investment Business during the year ended 31 December 2023. The Group will keep seeking for opportunities of equity appreciation and cash flow return in the equity securities market listed in Hong Kong.

Prospects

For the Design and Fit Out Business, the management of the Group (the "Management") is committed to strengthen the customer base. The Group will continue to find new orders and customers. Because of the unstable economic condition, there was an adverse impact to the Group and accordingly, the Management will actively keep monitoring the performance of the Group, and will implement appropriate strategy in a timely manner. Despite the uncertainties, the Management still remains positive towards the Design and Fit Out Business in the long run.

The Group commenced the business of securities investment during the year ended 31 December 2023. The Board is optimistic on the prospects of the equity securities market listed in Hong Kong and considered that the new business will further enhance the Company's financial performance as well as the value of the shareholders.

Financial Review

Revenue

The Group's revenue decreased from approximately HK$140.1 million for the year ended 31 December 2022 to approximately HK$63.8 million for the year ended 31 December 2023, representing a decrease of approximately 54.5%, which was mainly driven by the worsen performance of the "Design and Fit Out Business".

For Securities Investment Business, it had not generated any realised income for the year ended 31 December 2023.

The following table sets forth the breakdowns of the revenue of the Group by segment for each of the year ended 31 December 2022 and 31 December 2023.

	Year ended 31 December			
	2023		2022	
	HK$'000	%	HK$'000	%
Design and Fit Out Business	**63,812**	**100.0**	140,064	100.0
Securities Investment Business	**–**	**–**	–	–
	63,812	**100.0**	140,064	100.0

Cost of sales and services

The majority of the Group's cost of sales and services was raw material costs, labor and operating cost of design and fit out business. The Group's cost of sales and services decreased by approximately 61.1% to approximately HK$48.6 million for the year ended 31 December 2023 as compared to the year ended 31 December 2022.

Expense

Selling and administrative expenses for the year ended 31 December 2023 was approximately HK$34.1 million (2022: HK$31.5 million), representing an increase of approximately HK$2.6 million. The increase was mainly due to the equity-settled share-based payments of approximately HK$4.2 million.

Loss for the year

The loss for the year ended 31 December 2023 was approximately HK$17.6 million. The loss for the year ended 31 December 2022 was approximately HK$20.8 million.

Liquidity, Financial and Capital Resources

Capital structure

As at 31 December 2023, the share capital and equity attributable to owners of the Company amounted to approximately HK$36,027,000 and HK$6,000 respectively (2022: HK$36,027,000 and HK$8,951,000 respectively). Details of the capital management are set out in the Note 34 to the consolidated financial statements.

Cash position

As at 31 December 2023, the carrying amount of the Group's unpledged bank balances and cash was approximately HK$26.2 million (2022: HK$12.2 million), representing an increase of approximately 114.8% as compared to that of at 31 December 2022.

Gearing ratio

As at 31 December 2023, the gearing ratio, expressed as a percentage of interest-bearing debt, borrowings, bond payable, promissory note payable and convertible bond over total assets was approximately 64.5% (31 December 2022: 30.2%). The increase in gearing ratio was mainly resulted by the issuance of bonds and convertible bond during the Year. The management will timely monitor the financial position of the Group and deleverage the gearing when appropriate.

Exchange Rate Exposure

The Group's business operations are denominated mainly in Hong Kong dollars ("HK$"). The Group's assets and liabilities are mainly denominated in HK$. Currently, the Group has not entered into agreements or purchased instruments to hedge the Group's exchange rate risks.

Significant Investments Held

As at 31 December 2023, the Group held approximately HK$1.7 million and HK$6.6 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 respectively. Details of the significant listed equity investments are as follows:

	Notes	Place of incorporation	Gain on change in fair value HK$'000	Market value HK$'000	Approximate percentage of equity investment %	Approximate percentage to the total asset %	Approximate percentage to the interest in the respective investments as at 31 December 2023 %	Realised loss on investment HK$'000
HSBC Holdings plc (0005.hk)	1	England	381	1,662	20.0	3.1	<0.01	-
Geely Automobil Holdings Limited (0175.hk)	2	Cayman Islands	(42)	429	5.1	0.8	<0.01	-
China Merchants Bank Co., Ltd. (3968.hk)	3	PRC	71	1,496	18.0	2.8	<0.01	-
China Construction Bank Corporation (0939.hk)	4	PRC	75	2,046	24.6	3.9	<0.01	-
Alibaba Group Holding Limited (9988.hk)	5	PRC	129	2,684	32.3	5.2	<0.01	-
			614	8,317	100.0	15.8	N/A	-

Notes:

1. HSBC Holdings plc (HSBC) is the banking and financial services company. According to the latest published annual report of HSBC Holdings plc (HSBC), it had net asset value of approximately US$155,710 million.

2. Geely Automobile Holdings Limited (0715.hk) is principally engaged in the research, production, marketing and sales of sedans and related automobile components in the PRC.

3. China Merchants Bank Co., Ltd is a commercial bank incorporated in Shenzhen. According to its published annual report, it had net asset value of approximately of RMB1,076,370 million.

4. China Construction Bank Corporation is engaged in a range of banking services and related financial services. According to its published annual report, it had net asset value of approximately of is RMB2,878,760 million.

5. Alibaba Group Holding Limited is engaged in digital media and entertainment segment. According to its published annual report, it had net asset value of approxiamtely of is RMB194,600 million.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group has not acquired any subsidiaries during the year ended 31 December 2023.

At 1 January 2022, the Group held 85% equity interest in Legacy Infinity Global Asset Management Limited ("Legacy Infinity"). During the prior year ended 31 December 2022, the Group acquired the additional 15% equity interest in Legacy Infinity not owned by the Group for a consideration of HK$63,000. On 13 March 2023, the Company disposed of 100% equity interest in a subsidiary, Legacy Infinity, for an aggregate cash consideration approximately HK$639,000, HK$448,000 resulting from the gain of disposal. Legacy Infinity is principally engaged in the provision of insurance brokerage.

On 21 March 2023, a wholly-owned subsidiary of the Company, Inno Chase Limited ("Inno Chase"), entered into an agreement with Surich Capital Holdings Limited ("Surich Capital"), under which the Group has agreed to acquire 34% equity interest in Surich Asset Management Limited ("Surich AM"), Surich AM is principally engaged in the provision of advisory on securities and asset management services. Details was set out in the Company's announcement dated 21 March 2023.

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 2023.

Pledge of Assets

As at 31 December 2023, the Group did not have any pledged assets (31 December 2022: Nil).

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 December 2023, the Group had paid a refundable deposit of HK$179,000 (31 December 2022: HK$966,000) 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$299,000 (31 December 2022: HK$1,610,000) which remained outstanding at the end of the reporting period. 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 2022: Nil) and any material capital commitments as at 31 December 2023. (31 December 2022: Nil).

Employees and Emolument Policies

The Group had approximately 39 employees (including Directors) as at 31 December 2023 (2022: 38). The Group recruits and promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff and to enable smooth operation within the Group, the Group offers competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis. The emoluments of the Directors and senior management are reviewed by the Remuneration Committee, having regard to the Group's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

Legal Proceedings

On 8 November 2023, ACE Architectural and Interior Design Limited ("ACE"), a former subsidiary of the Company was ordered to be wound up by the High Court of Hong Kong in HCCW347/2023 and the Provisional Liquidator of ACE was appointed.

The Company is in the course of seeking legal advice for determining the possible actions in respect of the Winding Up Order to protect the interests of the Company and its shareholders as a whole. Details was set out in the Company's announcement dated 8 November 2023.

Significant Event after the Reporting Period

Saved as disclosed elsewhere in this annual report, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2023 and up to the date of this annual report.

Qualified Opinion

CCTH CPA Limited, the auditor ("Auditor") of the Company has issued a qualified opinion (the "Qualified Opinion") on the independent auditor's report ("Independent Auditor's Report") on the Company's consolidated financial statements for the year ended 31 December 2023. For details of the Qualified Opinion and the potential impact on the Company's financial position, please refer to the Independent Auditor's Report on pages 45 to 53 of this report.

The consolidated financial statements of the Group for the year ended 31 December 2023 were prepared by the Company and audited by the Auditor. As mentioned above, ACE was ordered to be wound up by the High Court of Hong Kong in HCCW347/2023 and the Provisional Liquidator of ACE was appointed ("Winding Up Order").

Having taken into account the circumstances at the material time and the applicable requirements under the HKFRSs in relation to the consolidated financial statements of the Group for the year ended 31 December 2023, the Board considers that the ACE shall be deconsolidated from the Group with effect from the date of the event that the Winding Up Order been ordered (i.e. 8 November 2023) (the "Deconsolidation"), on the basis that (i) the accounting records of ACE were seized by the Provisional Liquidator of ACE; and (i) the Group's control over ACE had been lost since 8 November 2023.

In the view of the Company, the judgement of Deconsolidation is justified and in accordance with the applicable HKFRSs.

However, the Auditor expressed Qualified Opinion on the Group's consolidated financial statements for the year ended 31 December 2023. In particular, the Auditor, in its opinion, was unable to obtain sufficient appropriate audit evidence under International Standards on Auditing and in accordance with International Financial Reporting Standards and satisfy themselves as to whether (i) the Deconsolidation of ACE was appropriate; and (ii) the Deconsolidation of ACE on the Date of Deconsolidation and the gain on Deconsolidation of approximately HK$5,293,000, as set out in "Basis for Qualified Opinion" in the Independent Auditor's Report.

Given the above, and also due to the uncertainty of the outcome of the legal proceedings and the insufficient supporting documents in respect of ACE, the Auditor was unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the Audit Issues as at and for the year ended 31 December 2023.

Audit Committee's View on the Qualified Opinion

The audit committee of the Board (the "Audit Committee") has reviewed the details of the Audit Issues, in particular, the Deconsolidation, and understood the Company's management (the "Management") position and basis as set out in the section headed "Management's View on the Qualified Opinion" above. Having considered the circumstances and information at the material time, the Audit Committee agrees with the Management's position and basis.

The Audit Committee also had discussion with the Auditor and understood the basis of the Qualified Opinion which arose from the Deconsolidation of ACE.

The Audit Committee is also of the view that the Management should continue its efforts in implementing the actions and measures set out in the action plan as detailed below with the intention of resolving the Audit Issues.

Action Plan of the Company to Address the Qualified Opinion

The Company is in the course of seeking legal advice for determining the possible actions in respect of the Winding Up Order to protect the interests of the Company and its shareholders as a whole.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT

Executive Directors

Mr. Chan Hung Kai ("Mr. Chan"), aged 44, was appointed as an executive Director on 6 July 2022 and a Chairman of the Board on 29 July 2022.

Mr. Chan has extensive experience in the fields of interior fit out and design, real estate, property management and merger and acquisition.

He is the director of Metropolitan Capital and Metropolitan Opportunity Fund SPC. The fund's principal focus is in real estate enhancement through upgrade in interior design and fit out. He also founded Advocates for Children and The Aged Limited, a nonprofit organization, in 2013.

Mr. Chan obtained his Bachelor of Science Degree in Physiotherapy from the Hong Kong Polytechnic University in 2002. He is a registered physiotherapist in Hong Kong.

Mr. Kwan Tek Sian ("Mr. Kwan"), aged 48, was appointed as the Chief Executive Officer ("CEO") and an executive Director on 4 February 2020 and a Chairman of the Board on 2 August 2021. He has cased to serve as the Chairman and CEO on 29 July 2022. He is a member of remuneration committee.

Mr. Kwan is the non-executive director and chairman of the board of directors of Bosa Technology Holdings (stock code: 8140) since 18 August 2017.

Since July 2018, Mr. Kwan has been re-designated to an executive director of JMC Technologies Pte. Limited, a Singapore-based company that is principally engaged in providing recruitment services and information technology solutions to multinational technology companies.

Mr. Kwan is a director and an investor of Bionic Vision Technologies Pty. Limited, a privately held Australian based company. It develops visual prostheses to restore vision of the blind, in which Mr. Kwan owns shares through State Path Capital Limited, a joint venture company involved in investing in technology companies.

Mr. Kwan is beneficially interested in approximately 35.5% of the issued shares of PepCap Resources Inc. (Symbol: WAV.V), a capital pool company (as defined under the rules of the TSX Venture Exchange) which indirectly holds mining interests in Indonesia, and which shares are listed on TSX Venture Exchange.

Mr. Kwan obtained a bachelor degree in Science from Victoria University in Australia in May 1998, a master degree in Health Sciences from Victoria University in October 2000 and a graduate diploma in Law and Legal Studies from La Trobe University in October 2004.

Mr. Chung Kar Ho Carol ("Mr. Chung"), aged 40, was appointed as an executive Director of the Company on 6 December 2023.

Mr. Chung has over 10 years' experience in providing financial services and solutions to clients in the field of insurance and investment. He was a district director of Convoy Financial Services Limited, a wholly-owned subsidiary of Convoy Global Holdings Limited (the shares of which were formerly listed on the main board of the Stock Exchange (stock code: 1019)) from August 2008 to March 2023.

Mr. Chung holds a Degree of Bachelor of Science from the Chinese University of Hong Kong in 2005.

Independent Non-executive Directors

Mr. Tse Chi Shing ("Mr. Tse"), aged 40, 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 14 years of experience in accounting and auditing. He is currently the chief financial officer and company secretary of KOALA Financial Group Limited ("KOALA"), a company listed on the GEM of the Stock Exchange (stock code: 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.

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

Mr. Tse Wai Hei ("Mr. Tse W.H."), aged 53, was appointed as an independent non-executive Director of the Company on 30 November 2017. He is the Chairman of the nomination committee and a member of audit committee and remuneration committee.

Mr. Tse W.H. has 35 years of experience specialising in mechanical engineering, publishing and printing services. In 2008, Mr. Tse W.H. joined in Komori Hong Kong Limited, a Japanese-based corporation principally engaged in manufacturing printing machines as a manager of the technical service department where over a period of 12 years.

Mr. Tam Chak Chi ("Mr. Tam"), aged 47, 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 22 years of experience in providing accounting, auditing and financial services and has served various senior positions at various private and listed companies. He is currently an executive director of Ocean Star Technology Group Limited, a company listed on the GEM of the Stock Exchange (stock code: 8297) 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 independent non-executive director of Wisdom Wealth Resources Investment Holding Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0007), 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

Mr. Yau Chung Ping ("Mr. Yau"), aged 52, is a co-founder of the Group. He was appointed as the director, Design of AL Design & Associates Limited ("AL Design"), a wholly-owned subsidiary of the Company, since its founding in October 1999.

Mr. Yau has overall responsibilities for client development, new business initiatives and overall design and project management for AL Design's clients.

Mr. Yau has over 28 years of experience in interior design and project management in Hong Kong and China. In 1999, Mr. Yau co-founded AL Design with Ms. Sz. Over the 23 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 award "Outstanding Entrepreneur Award 2016" from CAPITAL Entrepreneur magazine.

Ms. Sz Kit ("Ms. Sz"), aged 53, 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 28 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. Over the 21 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 49, 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 54, 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. Leung Tze Wai ("Mr. Leung"), aged 41, joined the Group in May 2022. He is currently the company secretary and authorized representative of the Company.

Mr. Leung holds a Bachelor Degree of Commence (Accounting) from the University of Adelaide, Australia. He is a member of the Hong Kong Institute of Certified Public Accountants and a member of the CPA Australia. Mr. Leung has over 15 years of experience in the auditing, accounting and financial sectors. He was the chief financial officer and company secretary of Legendary Education Group Limited, a company listed on GEM of the Stock Exchange (Stock Code: 8195) between May 2016 and September 2017. From August 2020 to September 2021, he has also served as the company secretary of Legendary Education Group Limited. He is the company secretary of certain companies listed on GEM and Main Board of the Stock Exchange. He is currently an independent non-executive director of Super Strong Holdings Limited (Stock code: 8262), a company listed on the GEM of the Stock Exchange since March 2016.

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 2023.

Principal Activities and Business Review

The Group principally derives its revenue from two business arms: (i) Design and fit out business, which provides integration of interior design, fit out solutions and repair and maintenance services in Hong Kong's and (ii) Securities investment business, which invests in equity securities listed 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 4 to 11 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 5 months after the year-end date.

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 maximise 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 54.

The Directors did not recommend the payment of a final dividend to shareholders of the Company for the Year (2022: 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 163. 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 2023 are set out in note 34 to the Consolidated Financial Statements.

Equity-linked Agreements

Save as 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 2023. 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 2023.

Distributable Reserves

As at 31 December 2023, 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 HK$nil (2022: HK$nil). Details of the movement in reserve during the Year are set out in note 47 to the Consolidated Financial Statements.

Donations

During the Year, charitable and other donations made by the Group amounted to HK$10,000 (2022: HK$17,000).

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	9.5%
— five largest suppliers in aggregate	29.1%
Sales	
— the largest customer	11.5%
— five largest customers in aggregate	39.1%

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. Chan Hung Kai *(Chairman)*
Mr. Kwan Tek Sian
Mr. Chung Kar Ho Carol (appointed on 6 December 2023)
Mr. Wong Kin Yeung *(Chief Executive Officer)* (resigned on 3 January 2024)

Independent Non-executive Directors:

Mr. Tse Chi Shing
Mr. Tse Wai Hei
Mr. Tam Chak Chi

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, 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. Chan Hung Kai, Mr. Kwan Tek Sian, Mr. Chung Kar Ho Carol, 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 28 June 2024 (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 12 to 16 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 change of information of Directors since the publication of 2023 interim report of the Company and up to the date of this report was as follows:

On 6 December 2023, Mr. Chung Kar Ho Carol has been appointed as an executive Director of the company with an annual Director's fee of HK$240,000.

On 3 January 2024, Mr. Wong Kin Yeung has been resigned as an executive Director and the chief executive officer of the Company.

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 2023 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 37 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 46 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.

Share Option Scheme and Share Award Scheme

Details are set out in the Note 36 to consolidated financial statements.

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and Its Associated Corporations

As at 31 December 2023, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which are required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code to be notified to the Company and the Stock Exchange, were as follows:

Long positions in Shares and underlying shares of the Company:

Name of Directors	Capacity	Number of Shares held	Number of Options held	Total	Percentage of the Company's issue share as at 31 December 2023 (%)
Chan Hung Kai	Beneficial owner	16,469,200	3,600,000	20,069,200	5.57
	Interest of spouse	39,600 *(Note 1)*	–	39,600	0.01
Chung Kar Ho Carol	Beneficial owner	24,000	–	24,000	0.01

Note:

(1) 39,600 shares are owned by Ms. Sze Yee Fun Louisa, who is the spouse of Mr. Chan Hung Kai.

Saved as disclosed above, as at 31 December 2023, none of the Directors and chief executives of the Company had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) as required to be recorded in the register required to be kept by the Company pursuant to Sections 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to Rule 5.67 of the GEM Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed under the section headed "Share Option Scheme and Share Award Scheme", as at 31 December 2023, neither the company, holding company nor any of its subsidiaries was a party to any arrangements to enable the directors and chief executive of the company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the company or any other body corporate, and none of the directors and chief executive of the company or their spouses or children under the age of 18, had any right to subscribe for the securities of the company, or had exercised any such rights.

Substantial Shareholders and Other Persons' Interests and Short Positions in the Shares and Underlying Shares of the Company

So far as the Directors are aware, as at 31 December 2023, other than the Directors or chief executives of the Company whose interests or short positions are disclosed under the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and Its Associated Corporations" above, the following parties have interest or short position in the shares or underlying shares of the Company which have to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, and who were expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

Long Positions in Shares and Underlying Shares of the Company

Name of shareholder	Capacity/Nature of interests	Number of ordinary shares	Percentage of the Company's issue share capital as at 31 December 2023
Lui Yu Kin	Beneficial owner	68,496,000	19.01%

Saved as disclosed above, as at 31 December 2023, the Directors were not aware of any other person (other than the Directors or chief executives as disclosed in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and Its Associated Corporations" above) who had, or deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

Directors' Interests in Competing Business

During the Year, 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.

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 28 to 44 in this annual report.

Closure of the Register of Members

The Register of Members of the Company will be closed from 25 June 2024 to 28 June 2024 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 pm on 24 June 2024.

Auditor

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

Chan Hung Kai
Chairman and executive Director

Hong Kong, 28 March 2024

CORPORATE GOVERNANCE REPORT

Corporate Governance Principles and Practices

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

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

The Board of Directors

Composition and Responsibilities

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

Executive Directors

Mr. Chan Hung Kai *(Chairman)*
Mr. Kwan Tek Sian
Mr. Chung Kar Ho Carol (appointed on 6 December 2023)
Mr. Wong Kin Yeung *(Chief Executive Officer)* (resigned on 3 January 2024)

Independent Non-executive Directors

Mr. Tse Chi Shing
Mr. Tse Wai Hei
Mr. Tam Chak Chi

On 6 December 2023, the Company announced that Mr. Chung Kar Ho Carol ("Mr. Chung") has been appointed as an executive Director of the Company.

On 3 January 2024, the Company announced that Mr. Wong Kin Yeung ("Mr. Wong") has been resigned as an executive Director and the chief executive officer 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 12 to 16. 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.

During the year ended 31 December 2023, 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 with the exception of Code Provisions A.2.1.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Chan Hung Kai was appointed as the Chairman of the Board on 29 July 2022. The Board is in the process of finding an appropriate person to fill the vacancy of the CEO as soon as practicable. In addition, the Board is also supervised by three independent non-executive Directors. The Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group as the Board assumes collective responsibility on the decision-making process of the Company's business strategies and operation. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

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 2023, a total of 15 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. Chan Hung Kai	15/15	2/2	N/A	N/A	N/A
Mr. Wong Kin Yeung (note 2)	15/15	2/2	N/A	N/A	N/A
Mr. Kwan Tek Sian	15/15	2/2	N/A	3/3	N/A
Mr. Chung Kar Ho Carol (note 1)	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Tse Chi Shing	15/15	2/2	5/5	3/3	3/3
Mr. Tse Wai Hei	15/15	2/2	5/5	3/3	3/3
Mr. Tam Chak Chi	15/15	2/2	5/5	N/A	3/3

Note 1: Appointed on 6 December 2023

Note 2: Resigned on 3 January 2024

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 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 2023, 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. Tse Wai Hei
Mr. Tam Chak Chi

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 five 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 CCTH CPA Limited as auditors, subject to the Shareholders' approval at the annual general meeting;

— reviewed and approved audit fee; 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 Directors:
Mr. Kwan Tek Sian

Independent non-executive Directors:
Mr. Tse Chi Shing *(Chairman)*
Mr. Tse Wai Hei

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

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

— reviewed and recommended to the Board on the Group's remuneration policy and strategy;

— reviewed and recommended to the Board on the remuneration packages of the executive Directors and independent non-executive Directors of the Company; and

— reviewed and recommended to the Board on the remuneration package of the senior management of the Company.

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:

Independent non-executive Directors:

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

During the Year, the nomination committee held three meetings. 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 2023 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 45 to 53 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 2023 amounted to HK$1,050,000 and HK$150,000 respectively.

The audit committee has expressed its views to the Board that the level of fees paid/payable to the Company to the Company's external auditor for annual audit services is reasonable.

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 Board is responsible for the Group's risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, but not absolute assurance against misstatement or loss. Given the relatively simple corporate and operation structure, the Group currently does not have an internal audit department. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management as well as overseeing the formation, implementation and monitoring of the risk management and internal control systems. In addition, the Group engages an independent professional advisor with the aim of setting up and maintaining an effective internal audit function. The independent professional advisor assists the Board and the Audit Committee in conducting an annual review of the effectiveness of the Group's risk management and internal control system in various material aspects, including strategic, financial, operational and compliance controls at entity and operational levels.

The Group reviews the internal audit charter to define the scope, duties and responsibilities and reporting protocol of the internal audit function. The Group also conducts an annual risk assessment to identify potential strategic risks, operational risks, financial risks and compliance risks of its major business. The identified risks are analysed, rated and prioritised based on the likelihood of occurrence and their impacts on achieving corporate objectives. Respective internal control measures are proposed to mitigate the consequences of the potential risks to the Group. A continuous three-year audit plan is devised upon the results of the risk assessment and under a risk based approach. An annual internal audit project is executed by the independent professional advisor according to the three-year audit plan with a view to assisting the Board and the Audit Committee to evaluate the effectiveness of the Group's risk management and internal control systems. The risk assessment report, three-year audit plan and internal control report are submitted and reviewed by the Audit Committee at least once a year. Summary of findings and recommendations are discussed at the Audit Committee meeting with a view to improving the Group's operations.

The Company has also formulated policies on handling and dissemination of inside information that set out procedures in handling inside information in a secure and proper manner and to avoid mishandling of inside information of the Group.

The Board has received a confirmation from management on the effectiveness of the risk management and internal control systems.

For the year ended 31 December 2023, the Board, through its Audit Committee, with result of the annual internal audit project executed by the independent professional advisor, is satisfied that the Group's risk management and internal control systems (i) are effective and adequate to meet the needs of the Group in its current business environment; and (ii) comply with the code provisions on internal control as set out in Appendix 15 of the GEM Listing Rules.

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 emphasises 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.

Company Secretary

The Company appointed Mr. Leung Tze Wai ("Mr. Leung"), as its company secretary on 11 May 2022.

The biographical details of Mr. Leung are set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report. During the Year, Mr. Leung, 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 28 September 2023 approving the adoption of second 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 28 June 2024. 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, 28 March 2024

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)

Qualified 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 54 to 162, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information and other explanatory information.

In our opinion, except for the possible effects of the matters described in the section of "Basis for Qualified Opinion" of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 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 Qualified Opinion

Deconsolidation of a subsidiary

As referred to in Note 41 to the consolidated financial statements, ACE Architectural and Interior Design Limited ("ACE"), a former subsidiary of the Company, was ordered to be wound up by the Hong Kong High Court and the Provisional Liquidator of ACE was appointed on 8 November 2023. The directors of the Company considered that the Group's control over ACE had been lost on 8 November 2023 (the "ACE Deconsolidation Date") and consequently, the assets, liabilities and results of ACE were deconsolidated from the Group's consolidated financial statements as from that date. The assets and liabilities of ACE as at the ACE Deconsolidation Date and ACE's income and expenses for the period from 1 January 2023 to the ACE Deconsolidation Date are disclosed in note 41 to the consolidated financial statements. The Group recognised a gain on deconsolidation of ACE of approximately HK$5,293,000 in profit or loss in respect of the year ended 31 December 2023, details of which are also set out in note 41 to the consolidated financial statements.

The accounting records of ACE were seized by the Provisional Liquidator of ACE, which were not made available to the Group's management subsequent to the ACE Deconsolidation Date. As a result, we were unable to obtain the accounting records of ACE or other appropriate audit evidence to assess (a) the existence, ownership, completeness, accuracy, valuation and classification of the assets and liabilities of ACE as at the ACE Deconsolidation Date; and (b) the completeness, accuracy and classification of the income and expenses of ACE for the period from 1 January 2023 to the ACE Deconsolidation Date. Consequently, we were unable to satisfy ourselves as to whether the gain on deconsolidation of approximately HK$5,293,000 arising thereon are properly recognised in the Group's consolidated statement of profit or loss and other comprehensive income, which was included in other gains/losses, net (note 8 to the consolidated financial statements).

Any adjustments which might be found necessary to be made to the income and expenses of ACE for the period from 1 January 2023 to the ACE Deconsolidation Date and ACE's assets and liabilities as at the ACE Deconsolidation Date, as disclosed in note 41 to the consolidated financial statements, might have significant impacts on the income and expenses items of the Group for the year ended 31 December 2023 presented in the Group's consolidated statement of profit or loss and other comprehensive income and the related disclosure notes with a corresponding effect on the gain on deconsolidation of ACE, and the related disclosure thereof set out in note 41 to the consolidated financial statements.

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.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements, that the Group incurred net losses amounted to approximately HK$17,641,000 and HK$20,788,000 for the years ended 31 December 2023 and 31 December 2022 respectively and the total liabilities of the Group at 31 December 2023 exceed the Group's total assets at that date by approximately HK$296,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. In light of all the measures and arrangements detailed in note 2 to the consolidated financial statements, the directors are of the opinion that the Group will be able to finance its future working capital and financial requirements. Our opinion is not modified in respect of this matter.

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. In addition to the matters described in the Basis for Qualified Opinion section and Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicate in our report.

Key Audit Matter	How our audit addressed the key audit matter
Recognition of contract revenue *Refer to note 6 to the consolidated financial statements*	
The Group recorded revenue from design and fit out services for the year ended 31 December 2023 of approximately HK$62.2 million. Revenue are recognised according to the stage of completion of individual contracts, calculated on the proportion of total costs incurred up to 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 estimate the costs to complete individual design and fit out projects in progress and determine the stage of completion of the projects 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 documents or communication evidence to evaluate the reasonableness of management's estimates on the budgeted total contract sum. – Assessed management's determination of the stage of completion of the selected projects through inquiry with project managers, review of project status reports and, other correspondences with customers and performing site visits.

Key Audit Matter	How our audit addressed the key audit matter
	– Considered the reasonableness of forecasted costs to completion 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 and contract assets *Refer to notes 21 and 23 to the consolidated financial statements*	
The Group had trade receivables and contract assets with the carrying amounts of approximately HK$2.7 million and HK$7.1 million respectively at 31 December 2023. Impairment loss on trade receivables and contract assets of approximately HK$0.07 million and HK$0.17 million respectively were recongised in profit or loss in respect of the year ended 31 December 2023. Management has performed impairment assessment of the trade receivables and contract assets based on information including ageing of the trade receivables, past repayment history and subsequent settlement status of receivable balance and contract assets, 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 and contract assets in order to estimate the expected credit losses for the impairment assessment.	Our procedures in relation to management's impairment assessment on trade receivables and contract assets as at 31 December 2023 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 and contract assets which were not yet billed to customers 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 and the contract assets at 31 December 2023; and the impairment assessment of trade receivables and contract assets under the expected credit losses model which involve significant management judgments and estimates.	• We checked, on a sample basis, the ageing analysis of the trade receivables as at 31 December 2023 to the underlying financial records; • We assessed the subsequent settlement of receivable balances and contract assets. 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 contract assets and evaluate the impairment losses 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

Impairment assessment of interests in associates

Refer to note 19 to the consolidated financial statements

As at 31 December 2023, the cost of the Group's investments in associates, LKD Group Holding Limited ("LKD") and Surich Asset Management Limited ("Surich AM"), and amount due from LKD amounted to approximately HK$1.04 million and HK$4.5 million respectively.

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 of approximately HK$3.58 million has been recognised for the year ended 31 December 2023, which is calculated based on the recoverable amounts of the investments, determined on value in use basis by reference to the valuation conducted by an external valuer.

We focused on the impairment assessment of the Group's investments in and amount due from an associate as the magnitude of the investments and amount owed is significant and management's assessment of the recoverable amount of the investments involves judgments and estimates about the future results of the associates, with 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 interests in associates included:

- We evaluated the independence, competence, capabilities and objectivity of the external valuer regarding the valuation of the Group's investments in associates.

- 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 investments in and amount due from associates to assess the appropriateness of the impairment loss made in the consolidated financial statements.

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 Those Charged with Governance 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.

Those charged with governance 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, in accordance with our agreed terms of engagement, 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 those charged with governance 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 those charged with governance 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, 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, 28 March 2024

Lee Chi Hang
Practising certificate number P01957

Unit 1510-17, 15/F, Tower 2,
Kowloon Commerce Centre,
No. 51 Kwai Cheong Road,
Kwai Chung, New Territories,
Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	6	**63,812**	140,064
Other income	7	**1,316**	1,179
Other gains/(losses), net	8	**2,752**	(4,030)
Subcontracting and materials costs		**(48,550)**	(124,752)
Employee benefit expenses	9	**(20,177)**	(17,645)
Rental expenses		**(277)**	(273)
Other expenses	10	**(13,645)**	(13,544)
Operating loss		**(14,769)**	(19,001)
Finance income	11	**171**	6
Finance costs	12	**(1,885)**	(1,793)
Share of losses of associates		**(1,122)**	—
Loss before income tax		**(17,605)**	(20,788)
Income tax expense	13	**(36)**	—
Loss for the year		**(17,641)**	(20,788)
Loss for the year attributable to:			
Owners of the Company		**(15,857)**	(17,919)
Non-controlling interests		**(1,784)**	(2,869)
Loss for the year		**(17,641)**	(20,788)
Loss for the year		**(17,641)**	(20,788)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Gain on change in fair value of financial assets at fair value through other comprehensive income		**381**	44
Other comprehensive income for the year, net of tax		**381**	44
Total comprehensive expense for the year, net of tax		**(17,260)**	(20,744)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(15,476)**	(17,875)
Non-controlling interests		**(1,784)**	(2,869)
		(17,260)	(20,744)
		2023 **HK Cents**	2022 HK Cents
Loss per share	15		
Basic		**(4.40)**	(5.04)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	16	**380**	1,444
Right-of-use assets	17	**556**	1,002
Goodwill	18	**—**	—
Interests in associates	19	**834**	—
Financial assets at fair value through other comprehensive income	20	**1,662**	1,281
Rental deposits	21	**—**	106
		3,432	3,833
Current assets			
Trade and other receivables	21	**9,382**	21,862
Financial assets at fair value through profit or loss	22	**6,655**	—
Contract assets	23	**7,140**	16,835
Amount due from non-controlling interest	24	**5**	5
Cash and cash equivalents	25	**26,176**	12,205
		49,358	50,907
Current liabilities			
Trade and other payables	26	**17,221**	39,407
Contract liabilities	23	**1,050**	5,563
Amount due to a shareholder	27	**1,975**	1,500
Amounts due to non-controlling interests	28	**758**	8,745
Borrowings	29	**5,160**	3,248
Bonds payable	30	**—**	303
Current income tax payable		**36**	88
		26,200	58,854
Net current assets/(liabilities)		**23,158**	(7,947)
Total assets less current liabilities		**26,590**	(4,114)
Non-current liabilities			
Borrowings	29	**1,575**	11,460
Promissory note payable	31	**463**	—
Bonds payable	30	**21,943**	—
Convertible bond	32	**2,905**	—
Lease liabilities	33	**—**	—
		(26,886)	(11,460)
Net liabilities		**(296)**	(15,574)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Equity			
Share capital	34	**36,027**	36,027
Reserves		**(36,021)**	(27,076)
Equity attributable to owners of the Company		**6**	8,951
Non-controlling interests		**(302)**	(24,525)
Total equity		**(296)**	(15,574)

The consolidated financial statements on pages 54 to 162 were approved and authorised for issue by the board of directors on 28 March 2024 and are signed on its behalf by:

Chan Hung Kai
Director

Chung Kar Ho Carol
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Other reserve (Note 35) HK$'000	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Convertible bond reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2022	35,536	131,924	5,922	(414)	150	–	(149,784)	23,334	(21,593)	1,741
Loss for the year	–	–	–	–	–	–	(17,919)	(17,919)	(2,869)	(20,788)
Other comprehensive income for the year	–	–	–	44	–	–	–	44	–	44
Total comprehensive income/ (expense) for the year, net of tax	–	–	–	44	–	–	(17,919)	(17,875)	(2,869)	(20,744)
Acquisition of additional interest in a subsidiary (note 39b)	–	–	–	–	–	–	8	8	(71)	(63)
Issue of shares for cash	491	3,096	–	–	–	–	–	3,587	–	3,587
Share issue expenses	–	(103)	–	–	–	–	–	(103)	–	(103)
Capital contribution to subsidiaries from non-controlling interests	–	–	–	–	–	–	–	–	8	8
At 31 December 2022	36,027	134,917	5,922	(370)	150	–	(167,695)	8,951	(24,525)	(15,574)
At 1 January 2023	**36,027**	**134,917**	**5,922**	**(370)**	**150**	**–**	**(167,695)**	**8,951**	**(24,525)**	**(15,574)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(15,857)**	**(15,857)**	**(1,784)**	**(17,641)**
Other comprehensive income for the year	**–**	**–**	**–**	**381**	**–**	**–**	**–**	**381**	**–**	**381**
Total comprehensive income/ (expense) for the year, net of tax	**–**	**–**	**–**	**381**	**–**	**–**	**(15,857)**	**(15,476)**	**(1,784)**	**(17,260)**
Recognition of equity-settled share-based payments (note 36b)	**–**	**–**	**–**	**–**	**4,297**	**–**	**–**	**4,297**	**–**	**4,297**
Recognition of equity component of convertible bond (note 32)	**–**	**–**	**–**	**–**	**–**	**2,234**	**–**	**2,234**	**–**	**2,234**
Deconsolidation of a subsidiary (note 41)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**26,007**	**26,007**
At 31 December 2023	**36,027**	**134,917**	**5,922**	**11**	**4,447**	**2,234**	**(183,552)**	**6**	**(302)**	**(296)**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Operating activities			
Loss before income tax		**(17,605)**	(20,788)
Adjustments for:			
Depreciation of property, plant and equipment		**1,061**	1,114
Depreciation of right-of-use assets		**1,366**	1,742
Gain on disposal of property, plant and equipment		**(600)**	(12)
Gain on disposal of a subsidiary	40	**(448)**	—
Gain on deconsolidation of a subsidiary	41	**(5,293)**	—
(Gain)/loss on change in fair value of financial assets at fair value through profit or loss			
– Net unrealised gain on listed securities		**(233)**	—
– Net realised loss on disposal of listed securities		**—**	115
Dividend income from equity investments		**(144)**	(56)
Finance income		**(171)**	(6)
Finance costs		**1,885**	1,793
Share of losses of associates		**1,122**	—
Impairment loss on interests in associates		**3,582**	—
Impairment loss on goodwill		**—**	1,115
Impairment loss on trade receivables, net		**67**	415
Impairment loss on other receivables		**—**	1,209
Impairment loss on contract assets		**173**	1,770
Equity-settled share-based payment		**4,297**	—
Operating loss before working capital changes		**(10,941)**	(11,589)
Decrease/(increase) in trade and other receivables		**10,811**	(2,182)
Increase in contract assets		**(605)**	(9,038)
Decrease in amount due from non-controlling interest		**—**	476
Increase in amounts due to non-controlling interests		**203**	3,148
Increase in trade and other payables		**3,972**	6,590
Decrease in contract liabilities		**(2,506)**	(5,592)
Cash generated from/(used in) operations		**934**	(18,187)
Income tax (paid)/refunded		**(88)**	420
Net cash generated from/(used in) operating activities		**846**	(17,767)

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Investment activities			
Purchase of property, plant and equipment		**(44)**	(1,133)
Proceeds from disposal of property, plant and equipment		**600**	275
Purchase of financial assets at fair value through profit or loss		**(6,422)**	—
Proceeds from disposal of financial assets at fair value through profit or loss		**—**	541
Interest received		**171**	6
Dividend income from equity investments		**144**	56
Acquisition of additional interest in a subsidiary	39	**—**	(63)
Capital contributions to associates		**(615)**	—
Advance to an associate		**(4,500)**	—
Disposal of a subsidiary	40	**448**	—
Deconsolidation of a subsidiary	41	**(1,869)**	—
Net cash used in investing activities		**(12,087)**	(318)
Financing activities			
Advance from a shareholder	44	**1,367**	1,500
Repayment to a shareholder	44	**(892)**	—
Proceeds from issue of bonds payable, net	44	**21,349**	300
Repayment of bonds payable		**(324)**	—
Proceeds from borrowings	44	**3,775**	3,460
Repayment of borrowings	44	**(3,248)**	(3,358)
Proceeds from issue of convertible bond, net		**4,937**	—
Finance costs paid	44	**(247)**	(647)
Payment of lease liabilities	44	**(1,505)**	(1,812)
Issue of shares		**—**	3,587
Share issue expenses		**—**	(103)
Net cash generated from financing activities		**25,212**	2,927
Net increase/(decrease) in cash and cash equivalents		**13,971**	(15,158)
Cash and cash equivalents at beginning of the year		**12,205**	27,363
Cash and cash equivalents at end of the year		**26,176**	12,205
Analysis of cash and cash equivalents at end of the year			
Cash and bank balances		**26,176**	12,205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General Information

AL Group Limited (the "Company") was incorporated in the Cayman Islands on 1 February 2016 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company has established a place of business in Hong Kong located at Unit 204A, 2/F, Century Centre, 44-46 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 services as well as overall project management and securities investment 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 Basis of Preparation of Consolidated Financial Statements

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.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets which are measured at fair value at the end of each reporting period, as explained in the accounting policies set out in note 4.

Going concern basis

Notwithstanding that the Group incurred net losses approximately HK$17,641,000 and HK$20,788,000 for the years ended 31 December 2023 and 2022 respectively; and the total liabilities of the Group at 31 December 2023 exceed the Group's total assets at that date by approximately HK$296,000, the directors of the Company consider it appropriate for the preparation of the consolidated financial statements on a going concern basis for at least twelve months after the end of the reporting period after taking into account the following circumstances and measures:

2 Basis of Preparation of Consolidated Financial Statements (Continued)

Going concern basis (Continued)

(a) The substantial shareholder of the Company, Mr. Lui Yu Kin, has agreed to provide loan to the extent of HK$5,000,000 to the Company, if required, to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future.

(b) The executive director and Chairman of the Company, Mr. Chan Hung Kai, has agreed to provide loan to the extent of HK$5,000,000 to the Company, if required, to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future.

(c) 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.

(d) 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 expenditures.

The directors of the Company are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for at least twelve months after 31 December 2023. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Material uncertainty regarding the Group's ability to operate as a going concern exists as to whether management of the Group will be able to achieve its plans and measures as described above. 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 consolidated financial statements.

3 Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

3 Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial position and performance but has affected the disclosure of the Group's accounting policies set out in Note 4 to the consolidated financial statements.

3 Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") – Long Service Payment ("LSP") offsetting mechanism in Hong Kong

As disclosed in note 9(a), the Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "Abolition"). The Abolition will officially take effect on 1 May 2025 (the "Transition Date"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered that the impact from the Amendment Ordinance on the Group's LSP liability is considered insignificant.

3 Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all the new and amendments to HKFRSs that are not yet effective in respect of the current year will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

3 Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments") (Continued)

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the 2020 Amendments and the 2022 Amendments will not result in reclassification of the Group's liabilities.

4 Material Accounting Policy Information

4.1 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.

(a) Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisition

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

4 Material Accounting Policy Information (Continued)

4.1 Consolidation (Continued)

Subsidiaries (Continued)

(a) Business combinations or asset acquisitions (Continued)

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs, and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

4 Material Accounting Policy Information (Continued)

4.1 Consolidation (Continued)

Subsidiaries (Continued)

(a) Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

4 Material Accounting Policy Information (Continued)

4.1 Consolidation (Continued)

Subsidiaries (Continued)

(b) *Changes in the Group's ownership interests in existing subsidiaries*

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4.2 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.

4 Material Accounting Policy Information (Continued)

4.3 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.

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.

4 Material Accounting Policy Information (Continued)

4.3 Investments in associates (Continued)

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.

4.4 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.

4.5 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.

4 Material Accounting Policy Information (Continued)

4.5 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.

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 gains/(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.

4 Material Accounting Policy Information (Continued)

4.6 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
Leasehold improvements	5 years or remaining lease term, whichever is shorter
Office equipment	3 years
Furniture	5 years
Motor vehicles	5 years

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 4.9).

Gain or loss on disposal of an asset is determined by comparing proceeds with carrying amount of the assets and are recognised within "other gains/(losses), net" (Note 8).

4.7 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 CGU or group of CGUs to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and not larger than an operating segment. Goodwill is monitored at the operating segment level.

4 Material Accounting Policy Information (Continued)

4.7 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. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs). Any impairment of goodwill is recognised immediately as an expense and is not subsequently reversed.

4.8 Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

4 Material Accounting Policy Information (Continued)

4.8 Leases (Continued)

The Group as a lessee (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

4 Material Accounting Policy Information (Continued)

4.8 Leases (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted for under HKFRS 9 Financial Instruments ("HKFRS 9") and are initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments includes:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

4 Material Accounting Policy Information (Continued)

4.8 Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

4 Material Accounting Policy Information (Continued)

4.8 Leases (Continued)

The Group as a lessee (Continued)

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and

- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

4 Material Accounting Policy Information (Continued)

4.9 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.

4.10 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is included in the "finance income" line item in profit or loss.

4 Material Accounting Policy Information (Continued)

4.10 Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

4 Material Accounting Policy Information (Continued)

4.10 Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the investment revaluation reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, contract assets, rental deposits, amount due from non-controlling interest and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

4 Material Accounting Policy Information (Continued)

4.10 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4 Material Accounting Policy Information (Continued)

4.10 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit- impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial organisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

4 Material Accounting Policy Information (Continued)

4.10 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the below basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

4 Material Accounting Policy Information (Continued)

4.10 Financial instruments (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits/accumulated losses.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into 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 Group are recognised at the proceeds received, net of direct issue costs.

Convertible bond issued by the Company

Convertible bonds issued by the Company contain both the liability and conversion option components are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

4 Material Accounting Policy Information (Continued)

4.10 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible bond issued by the Company (Continued)

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bond using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amount due to non-controlling interest, borrowings and promissory note payable) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4 Material Accounting Policy Information (Continued)

4.11 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.

4.12 Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(i) Cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(ii) Cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an significant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

4 Material Accounting Policy Information (Continued)

4.13 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 and its subsidiaries 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 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.

4 Material Accounting Policy Information (Continued)

4.14 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.

4 Material Accounting Policy Information (Continued)

4.14 Employee benefits (Continued)

(d) Share-based payments

Equity-settled share-based payments transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve. For share options that vest immediately at the date of grant, the fair value of the shares/share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share capital and share premium respectively. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits/accumulated losses.

Share options granted to non-employees

Equity-settled share-based payments transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

4 Material Accounting Policy Information (Continued)

4.15 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.

4.16 Revenue recognition

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 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.

4 Material Accounting Policy Information (Continued)

4.16 Revenue recognition (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 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.

4 Material Accounting Policy Information (Continued)

4.17 Government grants and subsidies

Grants and subsidies from the government are recognised at their fair value where there is a reasonable assurance that the grant and subsidies will be received and the Group will comply with all attached conditions. Government grants and subsidies are recognised in profit or loss and are included in "other income".

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

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.

4.19 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.

5 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 and loss recognised in each year.

(b) Impairment of trade 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 reasonable and supportable available without undue costs or effort). At every reporting date, the historical observed default rates are reassessed and changes in 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. Details of the Group's trade receivables and contract assets are disclosed in Notes 21 and 23 respectively.

5 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 of 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 interests in associates amounted to HK$3,582,000 (2022: Nil) was recognised in profit or loss in respect of the year, details of which are set out in Note 19.

6 Revenue and Segment Information

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2023 HK$'000	2022 HK$'000
Design and fit out		
Design and fit out	**62,213**	138,694
Design	**505**	600
Maintenance and after sales services	**1,094**	770
	63,812	140,064
Disaggregated by time of revenue recognition within the scope of HKFRS 15		
Over time	**62,213**	138,694
At point in time	**1,599**	1,370
	63,812	140,064

Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

6 Revenue and Segment Information (Continued)

During the year, the Group made investment in certain equity securities listed in Hong Kong, and it is considered as a new operating and reportable segment by the CODM.

Specially, the Group's reportable segments under HKFRS 8 Operating Segments are as follows:

(i) Design and fit out services – provision of integrated interior design, fit out solutions and repair and maintenance services in Hong Kong.

(ii) Securities investment — investment in equity securities listed in Hong Kong.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31 December 2023

	Design and fit out HK$'000	Securities investment HK$'000	Total HK$'000
Segment revenue	63,812	—	63,812
Segment loss	(6,369)	(805)	(7,174)
Finance income			171
Share of losses of associates			(1,122)
Unallocated other income			519
Unallocated other gains, net			2,759
Unallocated expenses			(11,612)
Finance costs			(1,146)
Loss before income tax			(17,605)
Income expense			(36)
Loss for the year			(17,641)

6 Revenue and Segment Information (Continued)

For the year ended 31 December 2022

	Design and fit out HK$'000	Securities investment HK$'000	Total HK$'000
Segment revenue	140,064	—	140,064
Segment loss	(12,100)	(59)	(12,159)
Finance income			6
Share of losses of associates			—
Unallocated other income			1,123
Unallocated other losses, net			(1,624)
Unallocated expenses			(8,026)
Finance costs			(108)
Loss before income tax			(20,788)
Income expense			—
Loss for the year			(20,788)

Segment revenue represents revenue from external customers. There were no inter-segment sales for the year ended 31 December 2023 (2022: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4.

Segment profit/loss represents the profit earned by/loss from each segment without allocation of central administration costs, share of losses of associates and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

6 Revenue and Segment Information (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

Segment assets

	2023 HK$	2022 HK$
Design and fit out	**17,007**	37,101
Securities investment	**8,317**	1,281
Total reportable segment assets	**25,324**	38,382
Unallocated assets	**27,466**	16,358
Consolidated assets	**52,790**	54,740

Segment liabilities

	2023 HK$	2022 HK$
Design and fit out	**12,727**	62,602
Securities investment	**—**	—
Total reportable segment liabilities	**12,727**	62,602
Unallocated liabilities	**40,359**	7,712
Consolidated liabilities	**53,086**	70,314

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than goodwill, interests in associates, amount due from non-controlling interest and cash and cash equivalents; and

- all liabilities are allocated to operating segments other than amount due to a shareholder, certain borrowings, bonds payable, promissory note payable and convertible bond.

6 Revenue and Segment Information (Continued)

Other segment information

For the year ended 31 December 2023

	Design and fit out HK$'000	Securities investment HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets (Note)	1,157	—	—	1,157
Depreciation	2,423	—	4	2,427
Impairment loss on trade receivables, net recognised in profit or loss	67	—	—	67
Impairment loss on other receivables recognised in profit or loss	—	—	—	—
Impairment loss on contract assets recognised in profit or loss	173	—	—	173
Contract assets written off reversed in profit or loss	—	—	—	—
Gain on disposal of property, plant and equipment	—	—	(600)	(600)
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss or segment assets:				
Impairment of goodwill	—	—	—	—
Impairment of interests in associates	—	—	3,582	3,582
Share of losses of associates	—	—	1,122	1,122
Interest income	(60)	(111)	—	(171)
Interests expenses	—	1,146	—	1,146

Note: Non-current assets excluded goodwill.

6 Revenue and Segment Information (Continued)

Other segment information (Continued)

For the year ended 31 December 2022

	Design and fit out HK$'000	Securities investment HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets (Note)	503	—	1,808	2,311
Depreciation	2,129	—	727	2,856
Impairment loss on trade receivables, net recognised in profit or loss	415	—	—	415
Impairment loss on other receivables recognised in profit or loss	700	—	509	1,209
Impairment loss on contract assets recognised in profit or loss	1,770	—	—	1,770
Contract assets written off reversed in profit or loss	(582)	—	—	(582)
Gain on disposal of property, plant and equipment	(12)	—	—	(12)
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss or segment assets:				
Impairment of goodwill	1,115	—	—	1,115
Impairment of interests in associates	—	—	—	—
Share of losses of associates	—	—	—	—
Interest income	(6)	—	—	(6)
Interests expenses	—	—	108	108

Note: Non-current assets excluded goodwill.

6 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

	2023 **HK$'000**	2022 HK$'000
Hong Kong	**63,812**	140,064

Information about major customers

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

	2023 **HK$'000**	2022 HK$'000
Customer A	**7,359**	N/A#
Customer B	**N/A***	38,960
Customer C	**N/A***	15,295

* The revenue from each of the customer B and customer C for the year ended 31 December 2023 did not exceed 10% of the total revenue of the Group for the year.

\# The revenue from the customer A for the year ended 31 December 2022 did 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

	2023 **HK$'000**	2022 HK$'000
Hong Kong	**1,770**	2,446

Note: Non-current assets excluded financial assets at fair value through other comprehensive income and rental deposits.

7 Other Income

	2023 HK$'000	2022 HK$'000
Dividend income from equity investments		
– at fair value through other comprehensive income	**109**	56
– at fair value through profit or loss	**35**	—
	144	56
Government grants and subsidies	**—**	622
Sundry income	**1,172**	501
	1,316	1,179

8 Other Gains/(Losses), net

	2023 HK$'000	2022 HK$'000
Gain/(loss) on change in fair value of financial assets at fair value through profit or loss		
— Net unrealised gain on listed securities	**233**	—
— Net realised loss on disposal of listed securities	**—**	(115)
	233	(115)
Gain on disposal of property, plant and equipment	**600**	12
Gain on disposal of a subsidiary (Note 40)	**448**	—
Gain on deconsolidation of a subsidiary (Note 41)	**5,293**	—
Impairment loss on goodwill (Note 18)	**—**	(1,115)
Impairment loss on interests in associates (Note 19)	**(3,582)**	—
Impairment loss on trade receivables, net (Note 21(a))	**(67)**	(415)
Impairment loss on other receivables (Note 43.2(c)(i))	**—**	(1,209)
Impairment loss on contract assets (Note 23(a))	**(173)**	(1,770)
Reversal of contract assets previously written off	**—**	582
Other gains/(losses), net	**2,752**	(4,030)

9 Employee Benefit Expenses

	2023 HK$'000	2022 HK$'000
Employee benefit expenses, including directors' remuneration		
Salaries and allowances	**15,220**	16,592
Pension costs — defined contribution plans	**560**	576
Equity-settled share-based payments	**4,235**	—
Welfare and benefits	**162**	477
	20,177	17,645

(a) Pensions — defined contribution plans

The Group maintains a 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 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. There were no forfeited contributions at the end of the reporting period which are available to offset future contributions.

For the year ended 31 December 2023, the aggregate amounts of the Group's contributions to the aforementioned pension scheme is HK$560,000 (2022: HK$576,000).

Pursuant to the Hong Kong Employment Ordinance, Chapter 57, the Group has the obligation to pay LSP to qualifying employees in Hong Kong under certain circumstances (e.g. dismissal by employers or upon retirement), subject to a minimum of 5 years employment period, based on certain formula.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof, for the purpose of offsetting LSP payable to an employee (the "Offsetting Arrangement').

The Amendment Ordinance (note 3) was gazetted on 17 June 2022, which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset the LSP. The Abolition will officially take effect on the Transition Date (i.e., 1 May 2025). Separately, the Government of the HKSAR is also expected to introduce a subsidy scheme to assist employers for a period of 25 years after the Transition Date on the LSP payable by employers up to a certain amount per employee per year. The impact from the Amendment Ordinance on the Group's LSP liability is considered insignificant.

9 Employee Benefit Expenses (Continued)

(b) Five highest paid individuals

The Group's five highest paid individuals for the year ended 31 December 2023 include two (2022: Nil) directors, whose emoluments are reflected in the analysis shown in note 37 (a). The emoluments paid/payable to the remaining three (2022: five) individuals for the year are as follows:

	2023 HK$'000	2022 HK$'000
Basic salaries and other employee benefit	**4,002**	5,938
Bonus	**95**	141
Pension costs — defined contribution plan	**87**	142
	4,184	6,221

The emoluments fell within the following band:

	2023 Number of individuals	2022 Number of individuals
Nil to HK$1,000,000	**—**	1
HK$1,000,001-HK$1,500,000	**3**	3
HK$1,500,001-HK$2,000,000	**—**	1
	3	5

10 Other Expenses

	2023 HK$'000	2022 HK$'000
Advertising costs	**2,784**	4,730
Auditor's remuneration		
— Audit services	**1,050**	900
— Non audit services	**150**	150
Building management fee	**108**	199
Depreciation of property, plant and equipment	**1,061**	1,114
Depreciation of right-of-use assets	**1,366**	1,742
Donations	**10**	17
Equity-settled share-based payment to consultants	**62**	—
Legal and professional fees	**1,619**	1,076
Travelling and entertainment	**2,588**	1,948
Other operating expenses	**2,847**	1,668
	13,645	13,544

11 Finance Income

	2023 HK$'000	2022 HK$'000
Interest income on deposits with financial institutions	**171**	6

12 Finance Costs

	2023 HK$'000	2022 HK$'000
Interest on amount due to a shareholder	**39**	45
Interest on borrowings	**907**	1,674
Interest on bonds payable (Note 30)	**615**	3
Interest on promissory note payable (Note 31)	**40**	—
Interest on convertible bond (Note 32)	**202**	—
Interest on lease liabilities	**82**	66
Interest on bank overdraft	**—**	5
	1,885	1,793

13 Income Tax Expense

	2023 HK$'000	2022 HK$'000
Current tax		
Hong Kong profits tax	**36**	—
Income tax expense	**36**	—

Hong Kong profits tax of the current year has been provided at the rate of 16.5% on the estimated assessable profits for the year. No provision for Hong Kong profits tax for the year ended 31 December 2022 has been made in the consolidation financial statements as the Group has no assessable profits for that year.

At the end of the reporting period, the Group has unused tax losses of approximately HK$17,263,000 (2022: HK$77,322,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

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

	2023 HK$'000	2022 HK$'000
Loss before income tax	**(17,605)**	(20,788)
Tax calculated at Hong Kong profits tax rate of 16.5% (2022: 16.5%)	**(2,904)**	(3,430)
Income not subject to tax	**(674)**	(119)
Expenses not deductible for tax purposes	**2,731**	2,675
Utilisation of tax losses previously not recognised	**(71)**	—
Deductible temporary differences not recognised	**218**	145
Tax at concessionary rate	**(30)**	—
Tax losses not recognised	**766**	729
Income tax expense	**36**	—

14 Dividends

The Board of Directors does not recommend the payment of a dividend in respect of the year (2022: Nil).

15 Loss Per Share

(a) Basic loss per share

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

	2023	2022
Loss for the year attributable to owners of the Company (in HK$'000)	**(15,857)**	(17,919)
Weighted average number of ordinary shares ('000)	**360,274**	355,535
Basic loss per share (in HK cents)	**(4.40)**	(5.04)

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to equity shareholders of the Company and the weighted average number of ordinary shares, as follows:

(i) Loss

	2023 HK$'000	2022 HK$'000
Loss for the purpose of basic loss per share	**(15,857)**	(17,919)
Adjustments for the calculation of diluted loss per share	**202**	—
Loss for the purpose of diluted loss per share	**N/A**	N/A

15 Loss Per Share (Continued)

(b) Diluted loss per share (Continued)

(ii) Weighted average number of ordinary shares

	2023 '000	2022 '000
Weighted average number of ordinary shares for the purpose of basic loss per share	**360,074**	355,535
Effect of exercise of share options	**6,358**	467
Effect of conversion of convertible bond	**—**	—
Weighted average number of ordinary shares for the purpose of diluted loss per share	**N/A**	N/A

The computation of diluted loss per share does not assume the conversion of convertible bond as the conversion price of the convertible bond was higher than the average market price for shares for 2023.

Diluted loss per share for the years ended 31 December 2023 and 31 December 2022 are not presented as the effects arising from exercise of the Company's share options granted and the conversion of the convertible bond are anti-dilutive.

16 Property, Plant and Equipment

	Computer equipment HK$'000	Leasehold improvements HK$'000	Office equipment HK$'000	Furniture HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2022	1,971	1,260	555	567	1,158	5,511
Additions	103	830	38	162	–	1,133
Disposals	(1,267)	–	(391)	(44)	(465)	(2,167)
At 31 December 2022 and 1 January 2023	807	2,090	202	685	693	4,477
Additions	–	–	35	9	–	44
Disposals	–	–	–	–	(508)	(508)
Deconsolidation of a subsidiary (note 41)	(1)	(105)	–	(82)	–	(188)
At 31 December 2023	806	1,985	237	612	185	3,825
Accumulated depreciation						
At 1 January 2022	1,863	332	451	487	690	3,823
Depreciation charged for the year	74	778	63	46	153	1,114
Eliminated on disposals	(1,267)	–	(391)	(44)	(202)	(1,904)
At 31 December 2022 and 1 January 2023	670	1,110	123	489	641	3,033
Depreciation charged for the year	83	867	65	43	3	1,061
Eliminated on disposals	–	–	–	–	(508)	(508)
Deconsolidation of a subsidiary (note 41)	(1)	(105)	–	(35)	–	(141)
At 31 December 2023	752	1,872	188	497	136	3,445
Carrying amounts						
At 31 December 2023	54	113	49	115	49	380
At 31 December 2022	137	980	79	196	52	1,444

17 Right-of-use Assets

	Leased properties HK$'000
Cost	
At 1 January 2022	2,811
Additions	1,178
Lease termination	(1,143)
At 31 December 2022 and 1 January 2023	2,846
Additions	1,113
Lease termination	(2,428)
Deconsolidation of a subsidiary	(418)
At 31 December 2023	1,113
Accumulated depreciation	
At 1 January 2022	1,245
Depreciation charged for the year	1,742
Eliminated on lease termination	(1,143)
At 31 December 2022 and 1 January 2023	1,844
Depreciation charged for the year	1,366
Eliminated on lease termination	(2,428)
Deconsolidation of a subsidiary	(225)
At 31 December 2023	557
Carrying amount	
At 31 December 2023	556
At 31 December 2022	1,002

	2023 HK$'000	2022 HK$'000
Expense relating to short-term leases	**277**	273
Total cash outflow for leases	**1,782**	2,085

As at 31 December 2023, the Group leases office (2022: office and storage space) under non-cancellable operating lease for its operations. Lease contracts are entered into for fixed terms of half to two years (2022: one to two years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

18 Goodwill

	2023 HK$'000	2022 HK$'000
Cost		
At 1 January	**3,551**	3,551
Deconsolidation of a subsidiary (Note 41)	**(2,436)**	—
At 31 December	**1,115**	3,551
Accumulated impairment losses		
At 1 January	**3,551**	2,436
Impairment loss recognised for the year (Note 8)	**—**	1,115
Derecognised on deconsolidation of a subsidiary (Note 41)	**(2,436)**	—
At 31 December	**1,115**	3,551
Carrying Amount		
At 31 December	**—**	—

An analysis of goodwill attributable to the design and fit out cash-generating unit ("CGU") is as follows:

	2023 HK$'000	2022 HK$'000
Carrying amount at 1 January	**—**	1,115
Impairment loss recognised for the year (Note 8)	**—**	(1,115)
Carrying amount at 31 December	**—**	—

In respect of the year ended 31 December 2022, following the downward adjustment of annual growth rate of revenue and the operating loss in future years thereon expected to arise from the design and fit out business, the directors considered it appropriate to recognise impairment loss on the goodwill attributable to the CGU of HK$1,115,000 which was charged to profit or loss in respect of that prior year. The impairment loss on other non-financial assets of the CGU has not been recognised in the consolidated financial statements as the amounts involved are immaterial.

19 Interests in Associates

	2023 HK$'000	2022 HK$'000
Costs of investments	**1,038**	—
Share of post-acquisition losses and other comprehensive expense	**(588)**	—
	450	—
Amount due from an associate	**4,500**	—
Less: share of post-acquisition losses that are in excess of the costs of investments	**(534)**	—
Less: impairment loss recognised	**(3,582)**	—
	834	—

Movements during the year are as follows:

	2023 HK$'000	2022 HK$'000
At 1 January	**—**	–
Costs of investments in associates made during the year	**1,038**	–
Amount due from an associate	**4,500**	–
Share of post-acquisition losses	**(1,122)**	–
Impairment loss recognised	**(3,582)**	–
At 31 December	**834**	–

19 Interests in Associates (Continued)

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
		2023	2022	2023	2022	
Surich Asset Management Limited (Note (a))	Hong Kong	34%	—	34%	—	Asset management and advisory service
LKD Group Holding Limited (Note (b))	Hong Kong	35%	—	35%	—	Provision of food catering services

The associates were accounted for using the equity method in these consolidated financial statements.

Note:

(a) On 21 March 2023, a wholly-owned subsidiary of the Company, Inno Chase Limited ("Inno Chase"), entered into an agreement with Surich Capital Holdings Limited ("Surich Capital"), under which the Group has agreed to acquire 34% equity interest in Surich Asset Management Limited ("Surich AM"), Surich AM is principally engaged in the provision of advisory on securities and asset management services. Pursuant to the acquisition agreement, the aggregate consideration for the acquisition amounted to HK$500,000, which was satisfied by issue of promissory note by the Company with the principal amount of HK$500,000. Completion of the acquisition of 34% equity interest in Surich AM took place on 21 March 2023.

The cost of the Group's 34% equity interest in Surich AM was deemed to be HK$423,000, which represents the fair value of the promissory note at the date of issue (note 31). During the year ended 31 December 2023, the Group made further capital injection to Surich AM amounted to HK$612,000. As at 31 December 2023, the Group's investment in Surich AM amounted to HK$1,035,000.

Subsequent to acquisition, management of the Group conducted a review of the profitability of the business undertaken by Surich AM, and is of the view that it is appropriate to make impairment loss on the interests in Surich AM amounted to HK$450,000, which is calculated based on the recoverable amount of the investment in Surich AM using the 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 Surich AM, impacted by depressing stock market sentiment, was recognised in profit or loss in respect of the year (2022: Nil).

(b) LKD Group Holding Limited ("LKD") was incorporated on 13 April 2023. At 31 December 2023, the Group made capital contribution of HK$3,500 and advances of HK$4,500,000 to LKD.

Subsequent to acquisition, management of the Group conducted a review of the profitability of the business undertaken by LKD, and is of the view that it is appropriate to make impairment loss on the interests in LKD amounted to HK$3,132,000, which is calculated based on the recoverable amount of the investment in LKD using the 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 LKD, impacted by cautious consumption pattern and fierce competition in catering industry, was recognised in profit or loss in respect of the year (2022: Nil).

19 Interests in Associates (Continued)

Summarised financial information of material associates

	31 December 2023	
	Surich AM HK$'000	LKD HK$'000
Current assets	907	5,608
Non-current assets	—	1,500
Current liabilities	(126)	(8,633)
Non-current liabilities	—	—
Net assets/(liabilities)	781	(1,525)

	For the period from 21 March 2023 to 31 December 2023 Surich AM HK$'000	For the period from 13 April 2023 to 31 December 2023 LKD HK$'000
Revenue	457	14,100
Loss before tax	(1,721)	(1,535)
Income tax expense	—	—
Loss for the period	(1,721)	(1,535)

Reconciliation to the Group's interests in associates:

	31 December 2023		
	Surich AM HK$'000	LKD HK$'000	Total HK$'000
Proportion of the Group's ownership	34%	35%	
Group's share of net assets/(liabilities) of the associates	266	(534)	(268)
Goodwill on acquisition	184	—	184
Amounts due from associates	—	4,500	4,500
Impairment loss recognised	(450)	(3,132)	(3,582)
Carrying amount of the investment	—	834	834

20 Financial Assets at Fair Value Through Other Comprehensive Income

	2023 HK$'000	2022 HK$'000
Listed securities:		
Equity securities listed in Hong Kong	**1,662**	1,281

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

	2023 HK$'000	2022 HK$'000
As at 1 January	**1,281**	1,237
Gain on change in fair value recognised in other comprehensive income	**381**	44
As at 31 December	**1,662**	1,281

21 Trade and Other Receivables

	2023 HK$'000	2022 HK$'000
Trade receivables	**2,863**	10,302
Less: Provision for impairment of trade receivables	**(179)**	(736)
Trade receivables, net (Note a)	**2,684**	9,566
Prepayments, deposits and other receivables (Note b)	**6,698**	12,402
	9,382	21,968
Less: non-current portion: rental deposit	**—**	(106)
Current portion	**9,382**	21,862

Notes:

(a) Trade receivables

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

21 Trade and Other Receivables (Continued)

(a) Trade receivables (Continued)

The Group does not grant credit term to customers. At 31 December 2023 and 2022, the ageing analysis of the trade receivables (after impairment loss recognised) based on invoice date were as follows:

	2023 HK$'000	2022 HK$'000
1-30 days	**1,451**	5,156
31-60 days	**104**	1,792
61-90 days	**130**	—
More than 90 days	**999**	2,618
	2,684	9,566

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 43.2 (c)(ii).

As of 31 December 2023, trade receivables of HK$2,684,000 (2022: HK$9,566,000) were past due but not considered to be impaired because management closely monitors the credit quality of these customers and is of the view that the customers are of good credit quality and there is no recent history of default regarding the relevant customers.

Movements on the Group's allowance for impairment of trade receivables are as follows:

	2023 HK$'000	2022 HK$'000
At 1 January	**736**	662
Impairment losses, net for the year (Note 8)	**67**	415
Arising from trade receivables written off	**(615)**	(341)
Deconsolidation of a subsidiary	**(9)**	—
At 31 December	**179**	736

Provision for impaired receivables has been included in other gains/(losses), net (Note 8). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

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.

21 Trade and Other Receivables (Continued)

(b) Prepayments, deposits and other receivables

	2023 HK$'000	2022 HK$'000
Prepayments	**91**	911
Deposits and other receivables	**6,607**	11,491
	6,698	12,402

Included in deposits and other receivables are deposit paid to an insurance company amounted to HK$179,000 (2022: HK$966,000) for surety bonds issued in favour of the Group (Note 38) and refundable deposits paid to third parties amounted to HK$5,000,000 (2022: HK$7,000,000) for seeking and tendering design, fit out and decoration projects for the Group in the PRC during the period from 1 January 2024 to 31 December 2024 (2022: 1 February 2022 to 31 December 2023).

22 Financial Assets at Fair Value Through Profit or Loss

	2023 HK$'000	2022 HK$'000
Fair value		
Equity securities listed in Hong Kong	**6,655**	—

Financial assets at fair value through profit or loss, representing equity securities listed in Hong Kong, are all held for trading.

Gain on change in fair value of the equity securities listed in Hong Kong amounted to HK$233,000 (2022: loss on change in fair value of HK$115,000) is included in other gains/losses, net (Note 8).

Information about the Group's exposure to price risk is set out in Note 43.2 (b). Details about the methods and assumptions used in determining fair value are set out in Note 43.3.

23 Contract Assets and Contract Liabilities

	2023 HK$'000	2022 HK$'000
Contract assets		
Design and fit out services	**7,411**	17,242
Design services	**—**	218
	7,411	17,460
Less: Impairment loss on contract assets recognised	**(271)**	(625)
	7,140	16,835

	2023 HK$'000	2022 HK$'000
Contract liabilities		
Design and fit out services	**1,050**	5,563
	1,050	5,563

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 of projects works satisfactorily passing inspection.

The contract liabilities represent the payments received by the Group in advance of the performance of project works under the relevant contracts.

Included in contract assets and contract liabilities are retentions held by customers for contract work amounted to HK$1,775,000 (2022: HK$9,971,000). Retention money is unsecured, interest free and expected to be received within the Group's normal operating cycle.

23 Contract Assets and Contract Liabilities (Continued)

(a) Contract assets

As of 31 December 2023, contract assets with the carrying amount of HK$7,140,000 (2022: HK$16,835,000) were not considered to be impaired because there is no recent history of default regarding the relevant customers. 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.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which represents the use of the lifetime expected loss provision for contract assets. The expected credit losses on these contract assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the customers and an assessment of both the current and forecast general economic conditions at the reporting date. Expected credit loss on contract assets amounted to approximately HK$173,000 (2022: HK$1,770,000) was made for the current year. Further information about the expected credit loss provision is set out in Note 43.2 (c)(ii).

Movements on the Group's allowance for impairment of contract assets are as follows:

	2023 HK$'000	2022 HK$'000
At 1 January	**625**	—
Provision for impairment losses recognised for the year (Note 8)	**173**	1,770
Arising from contract assets written off	**(107)**	(1,145)
Deconsolidation of a subsidiary	**(420)**	—
At 31 December	**271**	625

23 Contract Assets and Contract Liabilities (Continued)

(b) Contract liabilities

The following table shows the amount of the revenue recognised in the current reporting period which relates to contract liability balance at the beginning of the year:

	2023 HK$'000	2022 HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**4,834**	8,657

As all the contracts are with an original expected duration of one year or less or are billed based on time incurred, as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

24 Amount due from Non-controlling Interest

The amount due from non-controlling interest is unsecured, interest free and repayable on demand.

25 Cash and Cash Equivalents

	2023 HK$'000	2022 HK$'000
Cash and balances with banks and other financial institutions (Note)	**26,176**	12,205

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

	2023 HK$'000	2022 HK$'000
HK$	**26,176**	12,205

Note: Included in cash and cash equivalents are deposits placed with certain financial institutions amounted to approxiamtely HK$12,694,000 (2022: Nil).

26 Trade and Other Payables

	2023 HK$'000	2022 HK$'000
Trade payables	**5,083**	6,620
Accrued employee benefit expenses	**353**	1,375
Accrued interest on amount due to a shareholder	**56**	45
Accrued interest on borrowings	**283**	1,706
Other accruals and payables	**10,867**	28,608
Lease liabilities (Note 33)	**579**	1,053
	17,221	39,407

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

	2023 HK$'000	2022 HK$'000
Within 1 month	**1,302**	2,090
1 to 2 months	**388**	—
2 to 3 months	**304**	150
Over 3 months	**3,089**	4,380
	5,083	6,620

The trade payables are non-interest-bearing and are normally settled on terms of within 90 days.

27 Amount due to a Shareholder

	2023 HK$'000	2022 HK$'000
Amount due to Mr. Lui Yu Kin	**1,975**	1,500

A shareholder, Mr. Lui Yu Kin, made short-term advances to the Company, of which HK$1,975,000 (2022: HK$1,500,000) remained outstanding at the end of the reporting period. The amount due to the shareholder is unsecured, carries interest at 5% per annum and is repayable on demand.

28 Amounts due to Non-Controlling Interests

The amounts due to non-controlling interests are unsecured, interest free and repayable on demand.

29 Borrowings

	2023 HK$'000	2022 HK$'000
Borrowings from:		
– a director of the Company	**2,200**	500
– third parties	**4,535**	14,208
Total borrowings	**6,735**	14,708
Borrowings repayable:		
– on demand or within one year	**5,160**	3,248
– in the second year	**1,575**	11,460
	6,735	14,708
Analysed for reporting purpose:		
Non-current liabilities	**1,575**	11,460
Current liabilities	**5,160**	3,248
	6,735	14,708

The borrowing from a director of the Company is unsecured, carries interest at 5% per annum and is repayable on demand.

The borrowings from third parties carry interest ranged from 5% to 6% (2022: 5% to 12%) per annum. All of these borrowings are unsecured, except that the borrowings with the outstanding balance of HK$2,748,000 at 31 December 2022 were secured by personal guarantee given by a director of a former subsidiary of the Company.

30 Bonds payable

	2023 HK$'000	2022 HK$'000
Unsecured bonds payable		
– Within one year	—	303
– More than one year, but not exceeding two years	21,943	—
	21,943	303
Less: Amount shown under current liabilities	—	(303)
Amount shown under non-current liabilities	21,943	—

Movements of the bonds payable are as follows:

	2023 HK$'000	2022 HK$'000
At 1 January	303	—
Proceeds received on issue of bonds	21,550	300
Transaction costs incurred for bonds issue	(201)	—
Interest charge for the year (Note 12)	615	3
Repayment of bonds during the year	(300)	—
Interest paid during the year	(24)	—
At 31 December	21,943	303

During the current year, the Company issued unsecured bonds to certain shareholders of the Company and third parties with the aggregate principal amounts of HK$10,500,000 (2022: Nil) and HK$11,050,000 (2022: HK$300,000) respectively, which gave rise to a total proceed of HK$10,500,000 (2022: Nil) and HK$11,050,000 (2022: HK$300,000) respectively (before expenses).

During the current year, the Company repaid a bond with the principal amount of HK$300,000 (2022: Nil) for a consideration of HK$300,000 (2022: Nil). At the end of the reporting period, the bonds payable with the principal amount of HK$21,550,000 (2022: HK$300,000) remained outstanding.

30 Bonds payable (Continued)

An analysis of the bonds payable outstanding at 31 December 2023 is as follows:

Date of issue	Aggregate principal amount of bonds HK$'000	Interest rate per annum	Maturity date
31 July 2023	1,500	5%	30 July 2025
23 August 2023	9,050	8.0%	22 November 2025
28 August 2023	10,500	8.0%	27 November 2025
8 September 2023	500	8.0%	7 December 2025
	21,550		

An analysis of the bonds payable outstanding at 31 December 2022 is as follows:

Date of issue	Aggregate principal amount of bonds HK$'000	Interest rate per annum	Maturity date
23 November 2022	300	8.0%	22 November 2023

The effective interest rate of the bonds payable in respect of the current year ranged from 4.88% to 8.09% (2022: 8%) per annum.

31 Promissory Note Payable

	2023 HK$'000	2022 HK$'000
Promissory note payable in the second to fifth years	**463**	—

On 21 March 2023, the Company issued the promissory note with the principal amount of HK$500,000 as the consideration for the acquisition of 34% equity interest in Surich Asset Management Limited (Note 19).

The promissory note is unsecured, carries interest at 3% per annum and is payable on 20 March 2025 (the "Maturity Date"). The Company is also entitled to redeem, before the Maturity date, in full or in part with interest on the redeemed amount accrued up to the date of redemption by serving 3 business days prior written notice.

The fair value of the promissory note at the issue date was estimated to be HK$423,000, as valued by an external valuer, using the effective interest rate of 11.94% per annum.

Movements of the promissory note payable are as follows:

	2023 HK$'000	2022 HK$'000
At 1 January	**—**	—
Issue of promissory note for acquisition of an associate	**423**	—
Interest charge for the year (Note 12)	**40**	—
At 31 December	**463**	—

32 Convertible bond

On 22 May 2023, the Company issued 3% convertible bond (the "Convertible Bond") due on 21 May 2030 with the principal amount of HK$5,000,000 to a third party for a cash consideration of HK$5,000,000. The Convertible Bond can be converted into ordinary shares of the Company at an initial conversion price of HK$1.80 per share at the maturity date on 21 May 2030. The Company is entitled to redeem all or part of the Convertible Bond from the date of issue at the consideration which is equal to the principal amount of the bond redeemed together with any accrued interest.

Under the terms of the Convertible Bond, unless previously redeemed, converted, or purchased and cancelled, the outstanding bond will be redeemed on 21 May 2030 at 100% of principal amount of the bonds together with accrued interest.

The Convertible Bond contains two components: liability and equity (the conversion right) elements. The fair value of the liability component and equity component at the date of issue was valued by an external valuer. The fair value of the liability component at the date of issue was estimated using the effective interest rate of approximately 12.20% per annum. The fair value of the equity component at the date of issue was valued using the Black-Scholes model. The inputs into the model are as follows:

Risk-free rate	3.26%
Expected volatility	25.00%
Expected life	7 years
Stock price of issue date	HK$2.06
Conversion price	HK$1.80

The risk-free rate was determined with reference to the Hong Kong Sovereign zero coupon yield with maturity matching that of the Convertible Bond.

The expected volatility was determined based on the principal amount at the issue date.

32 Convertible bond (Continued)

Movements of the liability component and equity component of the Convertible Bond for the year ended 31 December 2023 are set out below:

	Liability components HK$'000	Equity components HK$'000	Total HK$'000
Fair value of Convertible Bond at date of issue	**2,737**	**2,263**	5,000
Transaction costs incurred for issue of bond	**(34)**	**(29)**	(63)
Carrying amount at date of issue	**2,703**	**2,234**	4,937
Imputed interest charge for the year	**202**	**—**	202
At 31 December 2023	**2,905**	**2,234**	5,139
At 31 December 2022	**—**	**—**	—

33 Lease Liabilities

	2023 HK$'000	2022 HK$'000
Lease liabilities payable:		
Within one year	**579**	1,053
Within a period of more than one year but not more than two years	**—**	—
Total lease liabilities payable	**579**	1,053
Less: Amount due for settlement within twelve months included in trade and other payables (Note 26)	**(579)**	(1,053)
Amount due for settlement after twelve months shown under non-current liabilities	**—**	—

34 Share Capital

	Par value	Number of ordinary shares	Nominal amount of ordinary shares
	HK$	'000	HK$'000
Authorised:			
At 1 January 2022, 31 December 2022 and 31 December 2023	0.1	1,000,000	100,000

	Par value	Number of ordinary share	Nominal amount of ordinary shares
	HK$	'000	HK$'000
Issued and fully paid:			
At 1 January 2022	0.1	355,360	35,536
Issue of shares on placement of shares (note)	0.1	4,914	491
At 31 December 2022 and 31 December 2023	0.1	360,274	36,027

Note:

On 19 December 2022, the Company issued 4,914,000 ordinary shares at the issue price of HK$0.73 per share for a total cash consideration of approximately HK$3,587,000 (before expense) to provide additional working capital of the Company.

35 Other Reserve

The Group

Other reserve of HK$5,922,000 (2022: HK$5,922,000) represents 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$20,465,000 (2022: HK$20,465,000) (note 47) 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.

36 Share-based Payment Transactions

Equity-settled share option scheme of the Company

2016 Share Option Scheme

The Company's share option scheme was conditionally adopted pursuant to a resolution passed by its sole shareholder on 15 June 2016 (the "2016 Share Option Scheme") 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 of the Company and eligible employees of the Group to promote the success of the business of the Group. The 2016 Share Option Scheme adopted and 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 2016 Share Option 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 2016 Share Option 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.

The 2016 Share Option Scheme was terminated pursuant to a special resolution passed by its shareholders on 20 October 2023. Upon the termination of the 2016 Share Option Scheme, no further share options would be offered under the 2016 Share Option Scheme but the 2016 Share Option Scheme would in other respects remain in force to the extent necessary to give effect to the exercise of the outstanding options. Any outstanding options will continue to be valid and exercisable in accordance with the terms of the 2016 Share Option Scheme.

2023 Share Option Scheme

On 20 October 2023, a new share option scheme was adopted by the shareholders at the extraordinary general meeting of the Company (the "2023 Share Option Scheme") for the purpose of providing an incentive to selected eligible participants in order to retain them for the continual operation and development of the Group and attract suitable personnel for further development of the Group. Eligible participants of the 2023 Share Option Scheme include, among others, (i) any employee (whether full-time or part-time, and including any person who are granted options under the 2023 Share Option Scheme as an inducement to enter into employment contracts with any member of the Group); and (ii) any director (excluding independent non-executive directors of the Company) of any member of the Group.

36 Share-based Payment Transactions (Continued)

Equity-settled share option scheme of the Company (Continued)

2023 Share Option Scheme (Continued)

The 2023 Share Option Scheme has a life of ten years and no options were granted since the date of its adoption.

A summary of the general terms of the 2023 Share Option Scheme are as follows:

(i) *Scheme mandate limit*

The maximum number of shares which may be allotted and issued in respect of all options and awards to be granted under the 2023 Share Option Scheme and any other share schemes shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the 2023 Share Option Scheme.

(ii) *Grant of share options to connected person*

The grant of share options to connected person (including director, chief executive or substantial shareholder of the Company or their respective associates) must be approved by the independent non-executive directors of the Company.

(iii) *Maximum entitlement of each eligible participant*

The total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant or grantee (including exercised and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% of the total number of shares of the Company in issue.

(iv) *Time of exercise of options*

The exercise period of the share options granted is determinable by the directors of the Company, and ends on a date which is no longer than ten years from the date of grant of the share options.

(v) *Acceptance of offer*

The date of grant of share options shall be accepted by the grantee within 10 days from the date of offer and notify the Company that he/she would accept the offer and the terms of the offer.

(vi) *Subscription price for shares*

The exercise price of share options shall be determinable by the directors of the Company at its absolute discretion, but in any event will not be less than the highest of (i) the closing price of the shares on the Stock Exchange as shown in the Stock Exchange daily quotations sheet on the offer date, which must be a business day; and (ii) the average closing price of the shares as shown in the Stock Exchange daily quotation sheets for the five business days immediately preceding the offer date.

36 Share-based Payment Transactions (Continued)

Equity-settled share option scheme of the Company (Continued)

(a) Share Option 2020

On 9 October 2020, certain share options were granted to (and accepted by) the grantees under 2016 Share Option Scheme (the "Share Option 2020"). These share options granted are fully exercisable at the date of acceptance.

Movements in the Share Option 2020 granted and remained outstanding during the years ended 31 December 2023 and 31 December 2022 are as follows:

	Weighted average exercise price	Number of share options		
	price HK$	Employees '000	Others '000	Total '000
At 1 January 2022, 31 December 2022 and 31 December 2023	**0.363**	**947**	**—**	**947**

The exercise price and exercise period of the share options outstanding as at 31 December 2023 and 31 December 2022 are as follows:

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

36 Share-based Payment Transactions (Continued)

Equity-settled share option scheme of the Company (Continued)

(b) Share Option 2023

On 19 January 2023, options to subscribe 22,116,000 shares at the exercise price at HK$1.10 per share was granted to grantees under 2016 Share Option Scheme, in which options to subscribe 21,930,000 shares were accepted by the grantees and options to subscribe 186,000 shares were cancelled ("Cancelled Share Options"). None of any Cancelled Share Options has been exercised.

Movements in the Share Option 2023 during the years ended 31 December 2023 and 31 December 2022 are as follows:

	Weighted average exercise price	Number of share options			
		Directors	Employees	Others	Total
	HK$	'000	'000	'000	'000
At 1 January 2022 and 31 December 2022	—	—	—	—	—
Granted during the year ended 31 December 2023	1.100	7,200	14,400	330	21,930
At 31 December 2023	1.100	7,200	14,400	330	21,930

36 Share-based Payment Transactions (Continued)

Equity-settled share option scheme of the Company (Continued)

(b) Share Option 2023 (Continued)

The exercise price and exercise period of the share options outstanding as at 31 December 2023 are as follows:

Number of options '000	Exercise price per share HK$	Exercise period
330	1.10	19 January 2026 to 18 January 2033
21,600	1.10	19 January 2023 to 18 January 2033

The fair value of the share options to subscribe 21,930,000 shares granted on 19 January 2023 was estimated to be HK$4,297,000, which was calculated using the binomial option pricing model. The input into the model were as follows:

Inputs into the model	Options granted on 19 January 2023
Weighted average share price (HK$ per share)	1.03
Exercise price (HK$)	1.10
Expected volatility	25.00%
Expected life of options (year)	10
Risk-free rate	2.94%
Expected dividend yield	0.00%

No other feature of the options granted was incorporated into the measurement of fair value.

The Group recognised the total expense of approximately HK$4,297,000 for the year ended 31 December 2023 (2022: Nil) in relation to share options granted by the Company.

At the end of the reporting period, the Company had approximately 22,877,000 (2022: 947,000) share options outstanding under the Company share option schemes, which represents approximately 6.35% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the capital structure of the Company as at 31 December 2023, result in the issue of approximately 22,877,000 (2022: 947,000) additional ordinary shares of the Company which would give rise to the total proceeds of approximately HK$24,467,000 (2022: HK$344,000).

36 Share-based Payment Transactions (Continued)

Equity-settled share award scheme of the Company

On 20 October 2023, the Company has adopted the share award scheme (the "Share Award Scheme"), in which the employees selected by the board of directors of the Company (the "Board") for participation in the Share Award Scheme (the "Eligible Participant") will be entitled to participate and pursuant to which awards will be satisfied by (i) shares of the Company transferred to the Trustee, appointed by the Company, from any person by way of gits, or (ii) subscribed or purchased by the Trustee by utilizing the funds received by the Trustee.

The purpose of the Share Award Scheme are (i) to recognise the contributions by certain Eligible Participants and to provide them incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

Subject to any early termination as may be determined by the Board in accordance with the scheme rules, the Share Award Scheme shall be valid and effective for 10 years from the date of adoption.

The Share Award Scheme shall be subject to the administration of the Board and the Trustee in accordance with the scheme rules and the trust deed entered into between the Company and the Trustee (the "Trust Deed"). The Trustee shall hold the shares of the Company and the other trust funds (the "Trust Fund") in accordance with the terms of the trust deed (the "Trust Deed").

Pursuant to the term of the Share Award Scheme, the Board may, from time to time, at its absolute discretion select any employee (other than any excluded employee) to be a Eligible Participant and grant an award to such Eligible Participant in accordance with the scheme rules. No award shall be granted by the Board to Eligible Participant and no instructions to acquire any shares shall be given by the Board to the Trustee pursuant to the scheme rules where dealings in the shares are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time.

Where any grant of awarded shares is proposed to be made to any Eligible Participant who is a director (including an independent non-executive director), such grant must first be approved by all the members of the Remuneration Committee, or in the case where the grant is proposed to be made to any member of the remuneration committee of the Company, by all of the other members of the remuneration committee of the Company.

36 Share-based Payment Transactions (Continued)

Equity-settled share award scheme of the Company (Continued)

In the event that the grant of an award to any connected person of the Company constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, the Company shall comply with the applicable reporting, announcement or independent shareholders' approval requirements.

Subject to the scheme rules, the Board shall determine from time to time such vesting criteria and conditions or periods for an award to be vested. Prior to the vesting date, any award made hereunder shall be personal to the Eligible Participant to whom it is made and shall not be assignable and no Eligible Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to the awarded shares referable to him/her pursuant to such award.

In the event that prior to or on the vesting date, a Eligible Participant is found to be an excluded employee or is deemed to cease to be an employee, the relevant award made to such Selected Employee shall automatically lapse forthwith and the relevant awarded shares shall not vest on the relevant vesting date but shall remain part of the Trust Fund.

No awarded shares have been granted by the Company during the year ended 31 December 2023 since the date of adoption of the Share Award Scheme of 20 October 2023.

37 Benefits and Interests of Directors

(a) Directors' emoluments

The remuneration of the directors for the year ended 31 December 2023 is set out below:

	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	Equity-settled share-based expense HK$'000	Contribution to retirement benefit scheme HK$'000	Total HK$'000
Executive directors						
Mr. Chan Hung Kai (Note 1)	–	360	–	792	18	1,170
Mr. Wong Kin Yeung (Note 2)	–	120	–	792	6	918
Mr. Chung Kar Ho Carol (Note 3)	–	20	–	–	1	21
Mr. Kwan Tek Sian	–	–	–	–	–	–
Independent non-executive directors						
Mr. Tse Chi Shing	156	–	–	–	–	156
Mr. Tse Wai Hei	156	–	–	–	–	156
Mr. Tam Chak Chi	156	–	–	–	–	156
	468	500	–	1,584	25	2,577

The remuneration of the directors for the year ended 31 December 2022 is set out below:

	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	Equity-settled share-based expense HK$'000	Contribution to retirement benefit scheme HK$'000	Total HK$'000
Executive directors						
Mr. Chan Hung Kai (Note 1)	–	150	–	–	7	157
Mr. Wong Kin Yeung (Note 2)	–	100	–	–	5	105
Mr. Kwan Tek Sian	–	–	–	–	–	–
Independent non-executive directors						
Mr. Tse Chi Shing	156	–	–	–	–	156
Mr. Tse Wai Hei	156	–	–	–	–	156
Mr. Tam Chak Chi	156	–	–	–	–	156
	468	250	–	–	12	730

37 Benefits and Interests of Directors (Continued)

(a) Directors' emoluments (Continued)

Note 1: Mr. Chan Hung Kai was appointed executive director of the Company on 6 July 2022.

Note 2: Mr. Wong Kin Yeung was appointed executive director of the Company on 4 March 2022 and resigned on 3 January 2024.

Note 3: Mr. Chung Kar Ho Carol was appointed executive director of the Company on 6 December 2023.

(b) Directors' retirement benefits and termination benefits

None of the directors received any retirement benefits or termination benefits for the financial year (2022: Nil).

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

During the year ended 31 December 2023, the Company does not pay consideration to any third parties for making available directors' services (2022: 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 2023, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors (2022: Nil).

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

As at 31 December 2023, certain loans are granted by a director of the Company with the aggregate amount of HK$2,200,000 (2022: HK$500,000), which is unsecured, carries interest at 5% per annum and is repayable on demand. Interest on the director's loan amounted to HK$44,000 (2022: HK$8,000) is charged by the director.

During the year ended 31 December 2023, certain share options were granted to two of the directors of the Company. Equity-settled share-based expenses of HK$1,584,000 (2022: Nil) for the year ended 31 December 2023 was recognised.

Save as aforementioned, 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 and indirectly, subsisted at the end of the year or at any time during the financial year.

38 Surety Bond

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.

During the current year, the Group had paid a refundable deposit of HK$179,000 (2022: HK$966,000) (Note 21(b)) to an insurance company for a surety bond issued in favour of a customer by the insurance company amounted to approximately HK$299,000 (2022: HK$1,610,000) which remained outstanding at the end of the reporting period. 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.

39 Acquisition of Subsidiaries

(a) The Group has not acquired any subsidiaries during the year ended 31 December 2023.

(b) Acquisition during the year ended 31 December 2022

At 1 January 2022, the Group held 85% equity interest in Legacy Infinity Global Asset Management Limited ("Legacy Global"). During the prior year ended 31 December 2022, the Group acquired the additional 15% equity interest in Legacy Global not owned by the Group for a consideration of HK$63,000.

40 Disposal of a Subsidiary

On 13 March 2023, the Company disposed of 100% equity interest in a subsidiary, Legacy Global (Note 39), for an aggregate cash consideration approximately HK$639,000. Legacy Infinity is principally engaged in the provision of insurance brokerage.

An analysis of assets and liabilities over which control was lost:

	HK$'000
Cash and cash equivalents	89
Net assets disposed of	89

Gain on disposal of subsidiary

	HK$'000
Cash consideration	639
Less: costs in connection with the disposal	(102)
Net assets disposed of	(89)
Gain on disposal of subsidiary (Note 8)	448

An analysis of cash flows from the disposal of the subsidiary is as follows:

	HK$'000
Net cash consideration received	537
Cash and cash equivalents disposed of	(89)
Net cash inflow from disposal of subsidiary	448

The Group has not disposed any of its subsidiaries during the year ended 31 December 2022.

41 Deconsolidation of a subsidiary

A creditor, being the petitioner, filed a winding up petition with the High Court of the Hong Kong Special Administrative Region (the "Hong Kong High Court") on 4 August 2023 (further amended on 24 October 2023) (collectively referred to as the "Petition") against ACE Architectural and Interior Design Limited ("ACE"), a 60% equity owned subsidiary of the Company. The Petition was filed against ACE on the principal amount ground that ACE has failed to pay its debt.

The Petition was heard before the Hong Kong High Court on 8 November 2023, with the result that ACE was ordered to be wound up by the Hong Kong High Court and the Provisional Liquidator of ACE was appointed on that date.

Accordingly, the Group had deconsolidated ACE as the directors of the Company considered that the Group's control over ACE had been lost on 8 November 2023.

The statement of profit and loss and other comprehensive income of ACE for the period from 1 January 2023 to 8 November 2023 is as follows:

	HK$'000
Revenue	3,357
Other income	180
Other gains/(losses), net	12
Subcontracting and material costs	(3,547)
Employee benefit expenses	(2,415)
Rental expenses	(235)
Other expenses	(1,064)
Operating loss	(3,712)
Finance income	—
Finance costs	(663)
Loss before income tax	(4,375)
Income tax expense	—
Loss for the period	(4,375)

41 Deconsolidation of a subsidiary (Continued)

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	47
Right-of-use assets	193
Goodwill	—
Trade and other receivables	1,708
Contract assets	10,127
Cash and cash equivalents	1,869
Total assets	13,944
Trade and other payables	(26,383)
Contract liabilities	(2,007)
Amount due to non-controlling interest	(8,190)
Amount due to a former fellow subsidiary	(600)
Amount due to the Company	(33,117)
Borrowings	(8,500)
Lease liabilities	(164)
Total liabilities	(78,961)
Net liabilities	(65,017)

Gain on deconsolidation of a subsidiary

	HK$'000
Net liabilities deconsolidated	(65,017)
Impairment loss recognised on amounts due from group entities	
Amount due from the Company	33,117
Amount due from other subsidiary	600
Non-controlling interest	26,007
Gain on deconsolidation	(5,293)

An analysis of cash flows from the deconsolidation of the subsidiary is as follows:

	HK$'000
Cash and cash equivalents of ACE	1,869
Cash outflow on deconsolidation of subsidiary	1,869

42 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.

The capital structure of the Group consists of net debts, which includes borrowings less cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

43 Financial Instruments

43.1 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$'000	Financial assets at fair value through other comprehensive income HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Financial assets				
31 December 2023				
Financial assets at fair value through other comprehensive income	—	1,662	—	1,662
Financial assets at fair value through profit or loss	6,655	—	—	6,655
Rental deposits	—	—	—	—
Amount due from non-controlling interest	—	—	5	5
Trade and other receivables excluding prepayments	—	—	9,291	9,291
Cash and cash equivalents	—	—	26,176	26,176
	6,655	1,662	35,472	43,789
Financial assets				
31 December 2022				
Financial assets at fair value through other comprehensive income	—	1,281	—	1,281
Financial assets at fair value through profit or loss	—	—	—	—
Rental deposits	—	—	106	106
Amount due from non-controlling interest	—	—	5	5
Trade and other receivables excluding prepayments	—	—	20,951	20,951
Cash and cash equivalents	—	—	12,205	12,205
	—	1,281	33,267	34,548

43 Financial Instruments (Continued)

43.1 Financial instruments by category (Continued)

	Financial liabilities at amortised cost HK$'000
Financial liabilities	
31 December 2023	
Trade and other payables excluding non-financial liabilities	**9,913**
Amount due to a shareholder	**1,975**
Amounts due to non-controlling interests	**758**
Borrowings	**6,735**
Bonds payable	**21,943**
Promissory note payable	**463**
Convertible bond payable	**2,905**
Lease liabilities	**579**
	45,271
31 December 2022	
Trade and other payables excluding non-financial liabilities	10,344
Amount due to a shareholder	1,500
Amounts due to non-controlling interests	8,745
Borrowings	14,708
Bond payable	303
Lease liabilities	1,053
	36,653

43 Financial Instruments (Continued)

43.2 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 of 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 respective group entities) 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.

43 Financial Instruments (Continued)

43.2 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 20) 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.

	Increase/(decrease) in loss for the year		Increase in investment revaluation reserve	
Increase in 5% of share prices of equity securities	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
Financial assets at fair value through other comprehensive income	**—**	—	**83**	64
Financial assets at fair value through profit or loss	**333**	—	**—**	—

The Group's loss for the year would decrease by approximately HK$333,000 (2022: HK$Nil) as a result of decrease in 5% of the share price of the equity securities classified as at fair value through profit or loss. Investment revaluation reserve would decrease by approximately HK$83,000 (2022: HK$64,000) as a result of decrease in 5% of the share price of the equity securities classified as at fair value through other comprehensive income.

43 Financial Instruments (Continued)

43.2 Financial risk management (Continued)

(c) Credit risk

The Group is exposed to credit risk and the Group's credit risk exposures are primarily attributable to trade and other receivables, contract assets, amount due from non-controlling interest, rental deposits and cash deposits at banks.

Majority of the Group's bank deposits are placed in certain banks which are 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 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 with the Group and changes in the operating results of the customer.

43 Financial Instruments (Continued)

43.2 Financial risk management (Continued)

(c) Credit risk (Continued)

(i) Amount due from non-controlling interest, deposits and other receivables

The Group uses four categories for the 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; 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 two years 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 2023, the internal credit rating of amount due from non-controlling interest, deposits and other receivables was performed. The Group has assessed that the expected credit loss for the receivable is immaterial under 12 months expected losses method. Thus no loss allowance for amount due from non-controlling interest, deposits and other receivables was recognised.

43 Financial Instruments (Continued)

43.2 Financial risk management (Continued)

(c) Credit risk (Continued)

(i) Amount due from non-controlling interest, deposits and other receivables (Continued)

In accordance with the Group's internal credit rating assessment, loss allowance for other receivables of HK$1,209,000 was recognised in profit or loss in respect of the year ended 31 December 2022 and was included in other gains/(losses), net (note 8) in that year.

(ii) Trade receivables and contract assets

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

The loss allowance for trade receivables was determined as follows:

	0-30 days	31-60 days	61-90 days	More than 90 days	Total
31 December 2023					
Expected loss rate	**2.49%**	**3.82%**	**10.22%**	**10.97%**	
Gross carrying amount (HK$'000)	**1,488**	**109**	**144**	**1,122**	**2,863**
Loss allowance (HK$'000)	**37**	**4**	**15**	**123**	**179**
31 December 2022					
Expected loss rate	1%	1.6%	15%	20%	
Gross carrying amount (HK$'000)	5,209	1,821	—	3,272	10,302
Loss allowance (HK$'000)	52	29	—	655	736

As at 31 December 2023, the gross contract assets amounted to HK$7,411,000 (2022: HK$17,460,000). As at that date, the loss allowance for contract assets were estimated to be HK$271,000 (2022: HK$625,000) based on expected loss rate of 3.66% (2022: 3.58%).

The above expected credit losses also incorporated forward looking information.

43 Financial Instruments (Continued)

43.2 Financial risk management (Continued)

(c) Credit risk (Continued)

(ii) Trade receivables and contract assets (Continued)

The credit quality of the debtors and/or customers 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 customers. As at 31 December 2023, the Group had a concentration of credit risk given that the top 5 customers account for 79% (2022: 73%) 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) Bank deposits

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

	Rating	2023 HK$'000	2022 HK$'000
Bank deposits	AA3-A3	**13,460**	12,200

The rating represents long-term credit rating of the relevant banks 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 deposits is limited.

(d) Liquidity risk

As referred to in Note 2, the directors of the Company are of the view that the Group can operate as going concern for at least twelve months after the end of the reporting period.

The Group implemented prudent liquidity risk management by maintaining sufficient cash and cash equivalents.

43 Financial Instruments (Continued)

43.2 Financial risk management (Continued)

(d) Liquidity risk (Continued)

The Group's primary cash requirements have been for additions of property, plant and equipment, and payment for purchases, operating expenses and repayment of borrowings. The Group mainly finances its working capital requirements through borrowings and 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.

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$'000	1-2 years HK$'000	2-5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2023						
Trade and other payables excluding non-financial liabilities	**9,913**	**–**	**–**	**–**	**9,913**	**9,913**
Amount due to a shareholder	**2,074**	**–**	**–**	**–**	**2,074**	**1,975**
Amounts due to non-controlling interests	**758**	**–**	**–**	**–**	**758**	**758**
Borrowings	**5,418**	**1,706**	**–**	**–**	**7,124**	**6,735**
Bonds payable	**–**	**25,312**	**–**	**–**	**25,312**	**21,943**
Promissory note payable	**–**	**530**	**–**	**–**	**530**	**463**
Convertible bond (Note)	**–**	**–**	**–**	**6,050**	**6,050**	**2,905**
Lease liabilities	**600**	**–**	**–**	**–**	**600**	**579**
	18,763	**27,548**	**–**	**6,050**	**52,361**	**45,271**
At 31 December 2022						
Trade and other payables excluding non-financial liabilities	10,344	–	–	–	10,344	10,344
Amount due to a shareholder	1,575	–	–	–	1,575	1,500
Amounts due to non-controlling interests	8,745	–	–	–	8,745	8,745
Borrowings	4,771	12,628	–	–	17,399	14,708
Bonds payable	324	–	–	–	324	303
Lease liabilities	1,071	–	–	–	1,071	1,053
	26,830	12,628	–	–	39,458	36,653

43 Financial Instruments (Continued)

43.2 Financial risk management (Continued)

(d) Liquidity risk (Continued)

Note: This is categorised based on contractual terms of redemption at maturity on the assumption that there were no redemption or conversion of the convertible bond outstanding at the end of the reporting period before the maturity date.

43.3 Fair value estimation

The carrying amounts of the Group's financial assets at amortised cost, including rental deposits, trade and other receivables, amount due from non-controlling interest, and cash and cash equivalents; and financial liabilities at amortised cost, including trade and other payables, amount due to a shareholder, amounts due to non-controlling interests, borrowings, bonds payable, promissory note payable and convertible bonds, 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).

43 Financial Instruments (Continued)

43.3 Fair value estimation (Continued)

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2023				
Financial assets				
Financial assets at fair value through other comprehensive income				
Equity securities listed in Hong Kong	**1,662**	**—**	**—**	**1,662**
Financial assets at fair value through profit or loss				
Equity securities listed in Hong Kong	**6,655**	**—**	**—**	**6,655**

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2022				
Financial assets				
Financial assets at fair value through other comprehensive income				
Equity securities listed in Hong Kong	1,281	—	—	1,281
Financial assets at fair value through profit or loss				
Equity securities listed in Hong Kong	—	—	—	—

There were no transfers between Levels 1, 2 and 3 during both of the years presented.

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.

43.4 Offsetting financial assets and financial liabilities

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

44 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)	Amount due to a shareholder	Borrowings	Bonds payable	Promissory note payable	Convertible bond payable	Lease liabilities	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2022	674	–	14,606	–	–	–	1,621	16,901
Financing cash inflows	–	1,500	3,460	300	–	–	–	5,260
Financing cash outflows	(647)	–	(3,358)	–	–	–	(1,812)	(5,817)
Interest charges for the year	1,724	–	–	3	–	–	66	1,793
Addition of lease liabilities arising from right-of-use assets	–	–	–	–	–	–	1,178	1,178
At 31 December 2022 and 1 January 2023	1,751	1,500	14,708	303	–	–	1,053	19,315
Financing cash inflows	–	1,367	3,775	21,349	–	4,937	–	31,428
Financing cash outflows	(247)	(892)	(3,248)	(324)	–	–	(1,505)	(6,216)
Promissory note issued for acquisition of an associate	–	–	–	–	423	–	–	423
Interest charges for the year	946	–	–	615	40	202	82	1,885
Addition of lease liabilities arising from right-of-use assets	–	–	–	–	–	–	1,113	1,113
Deconsolidation of a subsidiary	(2,111)	–	(8,500)	–	–	–	(164)	(10,775)
Recognition of equity component of convertible bond	–	–	–	–	–	(2,234)	–	(2,234)
At 31 December 2023	339	1,975	6,735	21,943	463	2,905	579	34,939

45 Major Non-cash Transactions

During the year ended 31 December 2023, the Group completed the acquisition of an associate for a consideration which was satisfied by the issue of a promissory note with the principal amount of HK$500,000, details of which are set out in Note 31.

46 Related Party Transactions

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

	2023 HK$'000	2022 HK$'000
Loan interest expense to a director (Note (i))	**44**	8
Loan interest expense to a shareholder (Note (ii))	**39**	45
Bonds interest expenses to shareholders (Note (iii))	**293**	–
	376	53

Notes:

(i) As at 31 December 2023, a director of the Company made certain loans with the aggregate principal amount of HK$2,200,000 (2022: HK$500,000) to the Company, which were unsecured, carried interest at 5% per annum and were repayable on demand. Interest on the director's loans amounted to HK$44,000 (2022: HK$8,000) for the current year is charged by the director.

(ii) As at 31 December 2023, a shareholder of the Company made short-term loan to the Company with the aggregate principal amount of HK$1,975,000 (2022: HK$1,500,000), which is unsecured, carries interest at 5% per annum and repayable on demand. Interest on the shareholder's loan amounted to HK$39,000 (2022: HK$45,000) for the current year is charged by the shareholder.

(iii) During the current year, the Company issued certain unsecured bonds to certain shareholders of the Company with the aggregate principal amount of HK$10,500,000, which carry interest at 8% per annum and payable more than one year, but not exceeding two years as at 31 December 2023. Interest on the bonds to shareholders amounted to HK$293,000 (2022: Nil) in respect of the current year.

(b) Key management compensation

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

	2023 HK$'000	2022 HK$'000
Basic salaries and bonuses	**5,874**	6,061
Pension costs — defined contribution plan	**157**	160
Equity-settled share-based payments	**1,584**	—
	7,615	6,221

47 Statement of Financial Position of the Company

	2023 HK$'000	2022 HK$'000
Non-current assets		
Investments in subsidiaries	**16,605**	16,705
	16,605	16,705
Current assets		
Financial asset at fair value through profit or loss	**6,655**	—
Prepayments and other receivables	**373**	2,737
Amounts due from subsidiaries	**11,887**	8,432
Cash and cash equivalents	**13,009**	1,454
	31,924	12,623
Current liabilities		
Accrued charges	**1,659**	1,429
Amounts due to subsidiaries	**6,283**	5,819
Amount due to a shareholder	**1,975**	1,500
Borrowings	**5,160**	500
Bonds payable	**—**	303
	15,077	9,551
Net current assets	**16,847**	3,072
Total assets less current liabilities	**33,452**	19,777
Non-current liabilities		
Borrowings	**1,575**	2,960
Promissory note payable	**463**	—
Bonds payable	**21,943**	—
Convertible bond	**2,905**	—
	26,886	2,960
Net assets	**6,566**	16,817
Equity		
Share capital	**36,027**	36,027
Reserves	**(29,461)**	(19,210)
Total equity	**6,566**	16,817

The Company's statement of financial position was approved and authorised for issue by the board of directors on 28 March 2024 and is signed on its behalf by:

Chan Hung Kai	**Chung Kar Ho Carol**
Director	*Director*

47 Statement of Financial Position of the Company (Continued)

Movements of the Company's reserves are as follows:

	Share premium HK$'000	Other reserve HK$'000 (Note 35)	Share option reserve HK$'000	Convertible bond reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2022	131,924	20,465	150	—	(146,599)	5,940
Loss for the year	—	—	—	—	(28,143)	(28,143)
Issue of shares for cash	3,096	—	—	—	—	3,096
Share issue expenses	(103)	—	—	—	—	(103)
Balance at 31 December 2022 and 1 January 2023	134,917	20,465	150	—	(174,742)	(19,210)
Loss for the year	—	—	—	—	(16,782)	(16,782)
Recognition of equity-settled share-based payments (note 36b)	—	—	4,297	—	—	4,297
Recognition of equity component of convertible bond (note 32)	—	—	—	2,234	—	2,234
Balance at 31 December 2023	134,917	20,465	4,447	2,234	(191,524)	(29,461)

48 Subsidiaries

The principal subsidiaries of the Company at 31 December 2023, 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	
				2023 (%)	2022 (%)	2023 (%)	2022 (%)
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%	–	–
Benefit Focus Limited	BVI, limited liability company	Investment holding/ Hong Kong	10,000 ordinary shares of US$1 each	100%	100%	–	–
Sunny Stage Limited	BVI, limited liability company	Investment holding/ Hong Kong	10,000 ordinary shares of US$1 each	100%	100%	–	–
Fasty Aim Limited	BVI, limited liability company	Investment holding/ Hong Kong	10,000 ordinary shares of US$1 each	100%	100%	–	–
Major Joyful Limited	BVI, limited liability company	Investment holding/ Hong Kong	10,000 ordinary shares of US$1 each	100%	100%	–	–
YTO Limited	Hong Kong, limited liability company	Provision of interior design and fit out solution/ Hong Kong	2,000,000 ordinary shares with no par value	100%	100%	–	–
Overseas Travel Science and Technology Limited	Hong Kong, limited liability company	Investment holding/ Hong Kong	1,000,000 ordinary shares with no par value	100%	100%	–	–
Legend Start Limited	BVI, limited liability company	Investment holding/ Hong Kong	10,000 ordinary shares of US$1 each	100%	100%	–	–
Legacy Infinity Global Asset Management Limited (formerly known as Treasury International Wealth Management Limited)	Hong Kong, limited liability company	Insurance brokerage	1,400,000 ordinary shares with no par value	–	100%	–	–
La Maison Group Limited	Hong Kong, limited liability company	Provision of interior design and fit out solution/ Hong Kong	10,000 ordinary shares with no par value	75%	75%	25%	25%
ALV & Associate Limited	Hong Kong, limited liability company	Provision of interior design and fit out solution, Hong Kong	100 ordinary shares with no par value	100%	100%	–	–

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

48 Subsidiaries (Continued)

In addition, at 31 December 2023 the Group holds 60% (31 December 2022: 60%) equity interest in ACE Architectural and Interior Design Limited ("ACE"), an entity incorporated and operating in Hong Kong engaging principally in the provision of interior design and fit out solutions and overall project management. As referred to in note 41, the Group lost control over ACE on 8 November 2023 and ACE is not regarded as a subsidiary of the Group as from that date.

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

The table below shows details of ACE in respect of the year ended 31 December 2022, which was a non-wholly owned subsidiary of the Group during that year that had 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 at 31 December 2022	Loss allocated to non-controlling interests for the year ended 31 December 2022	Accumulated non-controlling interests at 31 December 2022
		%	HK$'000	HK$'000
ACE	Hong Kong	40	(2,579)	(24,257)

Summarised financial information in respect of ACE is set out below. The summarised financial information below represents amounts before intragroup eliminations.

ACE	31 December 2022 HK$'000
Current assets	13,388
Non-current assets	637
Current liabilities	(66,167)
Non-current liabilities	(8,500)
Equity attributable to owners of the Company	(36,385)
Non-controlling interests	(24,257)

48 Subsidiaries (Continued)

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

	Year ended 31 December 2022 HK$'000
Revenue	59,759
Other income	561
Subcontracting and materials costs	(57,789)
Other expenses	(8,978)
Loss for the year	(6,447)
Loss attributable to:	
— owners of the Company	(3,868)
— non-controlling interests	(2,579)
Loss for the year	(6,447)
Net cash outflow from operating activities	(7,805)
Net cash outflow from investing activities	(2)
Net cash inflow from financing activities	348
Net cash outflow	(7,459)

FIVE YEARS FINANCIAL SUMMARY

Results

	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Revenue	**63,812**	140,064	109,446	67,076	142,729
Loss before income tax	**(17,605)**	(20,788)	(42,539)	(42,233)	(60,334)
Income tax (expense)/credit	**(36)**	—	119	22	(431)
Loss attributable to the owners of the Company for the year	**(15,857)**	(17,919)	(32,319)	(38,038)	(56,433)
Total comprehensive expenses attributable to the owners of the Company for the year	**(15,476)**	(17,875)	(32,154)	(38,571)	(56,533)

Assets and Liabilities

	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Total assets	**52,790**	54,740	65,501	85,643	123,536
Total liabilities	**53,086**	70,314	63,760	111,621	116,537
Net (liabilities)/assets	**(296)**	(15,574)	1,741	(25,978)	6,999
Non-controlling interests	**(302)**	(24,525)	(21,593)	(11,585)	(7,412)
Equity attributable to owners of the Company for the year	**6**	8,951	23,334	(14,393)	14,411