AL Group Limited
利駿集團（香港）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8360)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

Reference is made to the announcement of AL Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") dated 22 March 2019 in relation to the annual results of the Group for the year ended 31 December 2018 (the "**Results Announcement**"). Unless otherwise defined, capitalised items used in this announcement shall have the same meanings as those defined in the Results Announcement.

Further to the information disclosed in the Results Announcement, the Company wishes to provide to the shareholders of the Company and the potential investors with the following supplementary information:

IMPAIRMENT LOSS IN RESPECT OF THE INTERESTS IN PRIMO GROUP (BVI) LIMITED ("PRIMO", TOGETHER WITH ITS SUBSIDIARY, THE "PRIMO GROUP")

Primo is an associate of the Company in which the Company indirectly holds 49% of the entire issued share capital thereof. Primo is an investment holding company and holds 100% of the equity interest of Primocasa Interiors Limited ("**Primocasa**"), which is principally engaged in the provision of interior design and fit out solutions in Hong Kong. During the year ended 31 December 2018, the Company had recognised an impairment of HK$12,305,000 on the investment in Primo (the "**Primo Impairment**").

Reasons, details of events and circumstances leading to the Primo Impairment

In accordance with HKAS 36 "Impairment of Assets", for the purpose of preparing the consolidated financial statements of the Group, the Company will, after the year end period of 31 December, assess the value in use and test for impairment (if any) of the cash-generating unit on an annual basis.

The Company engaged B.I. Appraisals Limited ("**B.I. Appraisals**"), an independent qualified professional valuer, to conduct a valuation on the cash generating unit in relation to the 49% of the equity interest of Primo for the year ended 31 December 2018. B.I. Appraisals is set up by experienced qualified professionals, such as Registered Business Valuer registered with the Hong Kong Business Valuation Forum and Registered Professional Surveyors in Hong Kong, with 30 years' solid experience in the field and is a multi-disciplinary professional group offering one-stop valuation or appraisal and property-related professional services.

The factors leading to the Primo Impairment are as follows:

(a) due to the shortfall between the actual revenue of Primocasa during the nine months ended 31 December 2018, which was impacted by intense competition in the interior design and fit out solutions market as well as slowdown in the residential property market on the second half of 2018, as compared with the budget previously prepared. After conducting an overall review of the profitability of the business undertaken by the Primo Group, the future estimated cash flows were revised downward for the 2018 impairment assessment;
(b) the current market condition since 2018 and the future prospect and estimated cash flow and income of the Primo Group for the forthcoming year;
(c) the valuation prepared by B.I. Appraisals on the cash generating unit in relation to the 49% of the equity interest of Primo; and
(d) the value in use of the cash generating unit in relation to the 49% of the equity interest of Primo, compared with the carrying amount of the investment in Primo by the Group.

The key basis and assumptions adopted in the assessments by B.I. Appraisals and the Group included, but are not limited to, the following:

(a) the financial projection of Primocasa for the five years ending 31 December 2023 (the "**forecast period**") has been prepared based on the business plan or historical performance of Primocasa;
(b) the adopted discount rate is with reference to the public and statistical information (e.g. weighted average capital cost in the market) obtained from sources which are deemed to be reputable, accurate and reliable; and

(c) there will be no major change in the political, legal, economic or financial conditions in the localities in which Primocasa operates or intends to operate, which would adversely affect the revenue attributable to and profitability of Primocasa.

Key value of inputs used in the discounted cash flow method under the income-based approach included gross margin of approximately 34%, settlement terms of receivables derived from the contract revenue was estimated to be approximately 30 days, long-term sustainable growth rate beyond the forecast period of approximately 3% and post-tax discount rate of approximately 15%.

Due to the decrease in the net profit made by Primocasa for the nine months ended 31 December 2018, the normalised profit level of Primocasa was uncertain and the financial performance of Primocasa as at 31 December 2018 might not represent a long-term profit level for the adoption of the market-based approach. Therefore, the market-based approach was not adopted in the valuation. Considering the definition of value in use according to HKAS 36 and with the financial projection of Primocasa as mentioned above, B.I. Appraisals had considered the adoption of the income-based approach in arriving at the value in use of Primocasa, as compared with the market-based approach used in the acquisition of Primo Group. The Directors are of the view that the valuation approach adopted by B.I. Appraisals is fair and reasonable.

IMPAIRMENT LOSS IN RESPECT OF THE GOODWILL OF ACTIVE DOORS FINANCE LIMITED ("ACTIVE DOORS")

Active Doors is a wholly-owned subsidiary of the Company, which is principally engaged in the money lending business in Hong Kong. During the year ended 31 December 2018, the Company had recognised an impairment of HK$481,604 on the investment in Active Doors (the "**Active Doors Impairment**").

Reasons, details of events and circumstances leading to the Active Doors Impairment

The factors leading to the Active Doors Impairment are as follows:

(a) since the completion of the acquisition of Active Doors which took place in September 2018, the money lending business was still at the planning stage as at 31 December 2018;
(b) the historical financial performance of the money lending business did not record any revenue for the year ended 31 December 2018;
(c) the estimated cash flow and income of Active Doors for the forthcoming year are reasonably uncertain;
(d) the Directors are of the view that the Active Doors Impairment is of a prudent nature; and

(e) as a result, a full impairment loss of HK$481,604 was considered necessary and was recognised during the year.

The Company is reviewing the prospect and formulating the operational plan of Active Doors, with the aim to expand the existing business portfolio of the Group, broaden its source of income and bring potential synergy to the business of the Group.

The additional information set out above does not affect other information contained in the Results Announcement and the contents of the Results Announcement remain unchanged.

By Order of the Board
AL Group Limited
Lam Chung Ho Alastair
Chairman of the Board and Executive Director

Hong Kong, 10 June 2019

As at the date of this announcement, the executive Directors are Mr. Yau Chung Ping, Mr. Lam Chung Ho Alastair and Mr. Wong Kang Man; and the independent non-executive Directors are Mr. Tse Chi Shing, Mr. 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, (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and (2) 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 Company Announcements" page on the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company's website at www.AL-Grp.com.