



AL GROUP LIMITED 利駿集團(香港)有限公司

Incorporated in the Cayman Islands with limited liability
於開曼群島註冊成立的有限公司

Stock Code 股份代號 : 8360

THIRD QUARTERLY REPORT
第三 季 度 報 告 2019

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

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

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

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

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MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

The Group's business was established since 1999 under the name of AL Design, which is a well-established interior design and fit out solutions provider in Hong Kong. In November 2017, the Group acquired 60% interest of Ace Architectural and Interior Design Limited ("ACE"), which is also engaged in the provision of interior design and fit out solutions. In June 2018, the Group completed the acquisition of 49% interest of Primo, which is principally engaged in the provision of interior design and fit out solutions, focusing on luxury residential, office and commercial segments in Hong Kong. The Group believes that its success is firmly rooted in its extensive experience and portfolio in interior design and fit out works as well as project management. The Group's services can be broadly categorized as (i) design and fit out and (ii) design only. In addition, the Group also provides maintenance and aftersales services which could cater for its customers' different requirements.

Excluding projects relating to maintenance and aftersales service, during the nine months ended 30 September 2019, the total revenue decreased by approximately 15.4% and the number of projects decreased by 3.4% over the same period in 2018, mainly attributable to delay of commencement of certain projects to late 2019. As a result, the average revenue per project decreased by approximately 11.1% from same period in 2018 to approximately HK\$1.6 million.

The tables below summarized the number of on-going and completed projects and revenue, by type of service and customer, and the average revenue per project during the nine months ended 30 September 2019 respectively and their comparative figures:

In terms of number of Projects*

	For the nine months ended		
	30 September	2018	Change
	2019		
Design and fit out/Design only			
Office	33	43	(23.3)%
Commercial	19	9	111.1%
Residential	5	7	(28.6)%
Total	57	59	(3.4)%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In terms of Revenue*

In HK\$' million	For the nine months ended		
	30 September	2018	Change
	2019		
Design and fit out/Design only			
Office	42.9	92.1	(53.4)%
Commercial	44.2	3.9	1,033.3%
Residential	2.6	10.0	(74.0)%
Total	89.7	106.0	(15.4)%

Average Revenue per Project*

In HK\$' million	For the nine months ended		
	30 September	2018	Change
	2019		
Revenue	89.7	106.0	(15.4)%
Number of projects	57	59	(3.4)%
Average revenue per project	1.6	1.8	(11.1)%

* excluding those relating to maintenance and aftersales service

The Group continued to be awarded projects in 2019 by existing and new customers who valued the Group's reputation, proven track record and experience in the industry. The Group has a number of projects in the pipeline that were built up since 2016 which will come online and contribute to the total revenue in the later time of 2019 and beyond. As at the date of this report, our Group has secured project contracts with a total contract sum of over HK\$60.5 million, for some of the works will commence in the last quarter of 2019.

Looking forward, the market condition and economic environment for the rest of 2019 remain uncertain. In view of the keen competition in the market and economic uncertainty, the Group will continue to strengthen the market position, delivers more values to the customers and optimise productivity and efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Financial Overview

In HK\$' million	For the nine months ended	
	2019	2018
Revenue	90.4	107.5
Gross Profit (Note 1)	15.2	22.1
Gross Profit Margin	16.8%	20.6%
Adjusted EBITDA (Note 2)	(4.0)	(3.7)
(Loss)/Profit for the period attributable to owners of the Company	(8.0)	(5.2)

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

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

For the nine months ended 30 September 2019, the Group's revenue decreased when compared to the same period in 2018. The Group's revenue amounted to approximately HK\$90.4 million, representing a decrease of approximately 15.9% from the same period in 2018, mainly driven by delay of commencement of certain projects to late 2019.

The Group's gross profit for the nine months ended 30 September 2019 amounted to approximately HK\$15.2 million, representing a decrease of approximately 31.3% over the same period in 2018. Gross profit margin decreased from approximately 20.6% to approximately 16.8%, which was mainly due to keen competition in the market and the relatively larger projects in commercial sector continued to contribute revenue in 2019, while the projects incurred additional subcontracting costs and resulted in a lower profit margin. However, the relatively larger projects enhanced the Group's reputation, maintained a competitive advantage in the market and achieved our business growth.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's total operating expenses (Note 3) for the nine months ended 30 September 2019 were approximately HK\$22.1 million when compared to approximately HK\$22.2 million for the same period in 2018.

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

For the nine months ended 30 September 2019, the Group's adjusted EBITDA represented losses of approximately HK\$4.0 million as compared to approximately HK\$3.7 million for the same period in 2018, mainly driven by the decrease in revenue and decline in the overall gross profit margin for the Group's business. Despite a decrease in loss in change of fair value of financial assets at fair value through profit or loss, the Group recorded a consolidated loss of approximately HK\$8.0 million attributable to the owners of the Company for the nine months ended 30 September 2019, when compared to approximately HK\$5.2 million for the same period in 2018. Besides the effect of decrease in revenue and decline in the overall gross profit margin as mentioned above, the Group's loss was mainly attributable to increase in finance cost due to the issuance of the promissory note by the Group in June 2018 and increase in interest expense on borrowings.

Liquidity, Financial Resources and Capital Structure

The Group practiced prudent financial management and maintained a strong and sound financial position during the nine months ended 30 September 2019. As of 30 September 2019, the Group had cash and cash equivalents of approximately HK\$19.0 million (31 December 2018: approximately HK\$20.7 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 0.9 times as at 30 September 2019 (31 December 2018: approximately 1.8 times).

As at 30 September 2019, the Group had total liabilities of approximately HK\$97.2 million (31 December 2018: approximately HK\$105.3 million) which mainly comprise of trade and other payables, contract liabilities, borrowings and promissory note payable amounting to approximately HK\$95.8 million (31 December 2018: approximately HK\$105.3 million) and lease liabilities of approximately HK\$1.4 million (31 December 2018: Nil).

As at 30 September 2019, the gearing ratio, expressed as a percentage of non-current debt over net assets was approximately 2.5% (31 December 2018: 66.9%, which included the promissory note payable as non-current debt).

The shares of the Company were listed on the GEM Board of the Stock Exchange on 12 July 2016. As at 30 September 2019, the Company's total number of issued shares was 595,000,000 (31 December 2018: 595,000,000) at HK\$0.01 each. The Company's capital comprises ordinary shares and capital reserves. The Group finances its working capital requirements mainly through a combination of our cash flows generated from operations, borrowings and proceeds from share offer.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Contingent Liabilities and Capital Commitments

The Group did not have any significant contingent liabilities and capital commitments as at 30 September 2019 (31 December 2018: Nil).

Interim Dividend

The board of the Directors of the Company (the “Board”) does not declare any interim dividend for the nine months ended 30 September 2019 (2018: Nil).

Future Plans for Material Investment and Capital Assets

The Group did not have any other plans for material investment and capital assets as at 30 September 2019.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the nine months ended 30 September 2019.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The board of Directors (the “Board”) of AL Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 30 September 2019 together with the comparative figures as follows:

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

For the three months/nine months ended 30 September 2019

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	3	39,885	41,004	90,449	107,503
Other income	4	110	61	314	230
Other gains/(losses)	5	316	(4,827)	388	(5,165)
Subcontracting and materials costs		(32,444)	(34,959)	(75,243)	(85,354)
Employee benefit expenses		(5,249)	(4,337)	(15,018)	(13,927)
Rental expenses		(26)	(669)	(260)	(1,857)
Other expenses		(2,061)	(1,854)	(6,825)	(6,384)
Operating profit/(loss)		531	(5,581)	(6,195)	(4,954)
Finance income		3	1	12	46
Finance costs		(1,412)	(645)	(3,578)	(730)
Share of results of associate		(1)	876	14	1,020
Loss before tax		(879)	(5,349)	(9,747)	(4,618)
Income tax expense	6	(175)	(158)	(175)	(594)
Loss for the period		(1,054)	(5,507)	(9,922)	(5,212)
(Loss)/profit for the period attributable to:					
Owners of the Company		(720)	(5,508)	(7,988)	(5,223)
Non-controlling interests		(334)	1	(1,934)	11
		(1,054)	(5,507)	(9,922)	(5,212)

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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

For the three months/nine months ended 30 September 2019

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Other comprehensive expenses					
Items that will not be reclassified to profit or loss					
Changes in the fair value of financial assets at the fair value through other comprehensive income		(111)	(108)	(111)	(259)
Other comprehensive expenses for the period, net of tax		(111)	(108)	(111)	(259)
Total comprehensive expenses for the period		(1,165)	(5,615)	(10,033)	(5,471)
Total comprehensive (expenses)/income for the period attributable to:					
Owners of the Company		(831)	(5,616)	(8,099)	(5,482)
Non-controlling interests		(334)	1	(1,934)	11
		(1,165)	(5,615)	(10,033)	(5,471)
Loss per share	7	HK cents	HK cents	HK cents	HK cents
Basic		(0.12)	(0.93)	(1.34)	(1.00)
Diluted		N/A	N/A	N/A	N/A

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

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

Unaudited Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2019

	Attributable to owners of the Company							Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Available-for- sale financial assets revaluation reserve HK\$'000	Investment revaluation HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000			
At 1 January 2019	5,950	82,012	5,922	-	54	(22,994)	70,944	(3,080)	67,864	
Loss for the period	-	-	-	-	-	(7,988)	(7,988)	(1,934)	(9,922)	
Other comprehensive expense Loss on changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(111)	-	(111)	-	(111)	
Total comprehensive expense for the period	-	-	-	-	(111)	(7,988)	(8,099)	(1,934)	(10,033)	
At 30 September 2019	5,950	82,012	5,922	-	(57)	(30,982)	62,845	(5,014)	57,831	
At 1 January 2018, as restated	4,800	65,337	5,922	-	421	12,164	88,644	(253)	88,391	
Loss for the period	-	-	-	-	-	(5,223)	(5,223)	11	(5,212)	
Other comprehensive expense Loss on changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(259)	-	(259)	-	(259)	
Total comprehensive (expense)/ income for the period	-	-	-	-	(259)	(5,223)	(5,482)	11	(5,471)	
Issue of shares for acquisition of associates	1,150	16,675	-	-	-	-	17,825	-	17,825	
At 30 September 2018	5,950	82,012	5,922	-	162	6,941	100,987	(242)	100,745	

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. General information

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

The Company is an investment holding company and, together with its subsidiaries, (collectively referred to as the “Group”), are principally engaged in the provision of interior design and fit out solutions as well as overall project management in Hong Kong.

The shares of the Company (the “Share(s)”) were listed on GEM of the Stock Exchange of Hong Kong Limited on 12 July 2016.

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

2. Basis of preparation

This condensed consolidated financial information for the nine months ended 30 September 2019 has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and the requirements of the Hong Kong Companies Ordinance (“HKCO”) Cap. 622 and the GEM Listing Rules. The condensed consolidated financial information does not include all information and disclosures as required in the annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with HKFRS. The condensed consolidated financial information has been prepared on a historical cost basis, except for available-for-sale financial assets, financial assets and liabilities — measured at fair value.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3. Revenue

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Design and fit out	39,095	40,219	88,555	105,626
Design	548	150	1,193	334
Maintenance and aftersales services	242	635	701	1,543
	39,885	41,004	90,449	107,503

4. Other income

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Dividend income on financial assets through other comprehensive income	20	19	81	76
Sundry income	90	42	233	154
	110	61	314	230

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL INFORMATION (CONTINUED)

5. Other gains/(losses)

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Gain/(loss) on change in fair value of financial assets at fair value through profit or loss				
– Net unrealised gain/(loss) on listed securities	319	(1,564)	677	(1,618)
– Net unrealised loss on disposal on listed securities	–	(2,936)	(249)	(3,119)
	319	(4,500)	428	(4,737)
Foreign exchange losses, net	(3)	(9)	(3)	(13)
Loss on early redemption of promissory note	–	(318)	–	(415)
Loss on disposal of property, plant and equipment	–	–	(37)	–
	316	(4,827)	388	(5,165)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the nine months ended 30 September 2019. The Group is not subject to taxation in the Cayman Islands or the British Virgin Islands.

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current income tax	175	158	175	652
Deferred income tax	–	–	–	(58)
Income tax expense	175	158	175	594

7. Loss per share

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Loss attributable to owners of the Company (in HK\$'000)	(720)	(5,508)	(7,988)	(5,223)
Weighted average number of ordinary shares in issue ('000)	595,000	595,000	595,000	523,388
Basic loss per share (in HK cents)	(0.12)	(0.93)	(1.34)	(1.00)

No diluted loss per share is presented for the three months ended and nine months ended 30 September 2019 and 2018, as there were no potential ordinary shares in issue during those periods.

SUPPLEMENTARY INFORMATION

Share Option Scheme

The Company has conditionally adopted the share option scheme (“Share Option Scheme”), which was approved by written resolutions passed by its sole Shareholder on 15 June 2016 and became unconditional on 12 July 2016. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

The Share Option Scheme is valid and effective for a period of 10 years from 12 July 2016, after which no further options will be granted or offered.

As at 30 September 2019, there was no option outstanding, granted, cancelled, exercised or lapsed.

SUPPLEMENTARY INFORMATION (CONTINUED)

Directors and Chief Executive's Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Specified Undertaking of the Company or any Other Associated Corporation

As at 30 September 2019, the interests and short positions of directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long position in the ordinary shares and underlying shares of the Company

(i) Interest in the associated corporation

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

Save as disclosed above, as at 30 September 2019, none of the directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the standards of dealing by directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules.

SUPPLEMENTARY INFORMATION (CONTINUED)

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

As at 30 September 2019, the interest of the persons, other than directors or chief executive of the Company, in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company were as follows:

Long position in the ordinary shares and underlying shares of the Company

Name of shareholders	Capacity	Number of ordinary shares held	% of the Company's issued voting shares
Mr. Sun Fulin	Beneficial owner	144,000,000	24.2%
Climb Up Limited ("Climb Up") (Note)	Beneficial owner	115,000,000	19.3%
Mr. Wong Yu Ki Andy (Note)	Interest in controlled corporation	115,000,000	19.3%
Mr. Lam Lesile (Note)	Interest in controlled corporation	115,000,000	19.3%

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

Save as disclosed above, as at 30 September 2019, the Company had not been notified by any persons (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SUPPLEMENTARY INFORMATION (CONTINUED)

Rights to Acquire Shares or Debentures

Other than the Share Option Scheme and save as disclosed above and under the section “Directors and Chief Executive’s Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Specified Undertaking of the Company or any other Associated Corporation” above, at no time during the nine months ended 30 September 2019 was the Company or any of its subsidiaries, or any of its fellow subsidiaries or any associated corporations, a party to any arrangement to enable the directors or chief executive of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors’ Interests in Competing Businesses

During the nine months ended 30 September 2019, none of the directors, or any of their respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict of interests with the Group, save for the following:

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

SUPPLEMENTARY INFORMATION (CONTINUED)

Code on Corporate Governance Practices

During the nine months ended 30 September 2019, the Board considers that the Company has complied with all the corporate governance codes (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules.

Compliance of Code of Conduct for Directors’ Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by our Company during the nine months ended 30 September 2019.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the nine months ended 30 September 2019.

SUPPLEMENTARY INFORMATION (CONTINUED)

Audit Committee

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

The audit committee has reviewed the accounting principles and practices adopted by the Group and has discussed with the management regarding the auditing and financial reporting matters. The audit committee has discussed and reviewed the unaudited financial information and the third quarterly report for the nine months ended 30 September 2019.

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