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AL Group Limited
利駿集團(香港)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8360)

**(1) PROPOSED SHARE CONSOLIDATION;
(2) PROPOSED CHANGE OF BOARD LOT SIZE; AND
(3) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3)
RIGHTS SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE
HELD ON THE RECORD DATE**

Financial adviser to the Company



Underwriter to the Rights Issue



I. PROPOSED SHARE CONSOLIDATION

The Board intends to put forward a proposal to the Shareholders to effect the Share Consolidation which involves the consolidation of every ten (10) issued and unissued Existing Shares into one (1) Consolidated Share. The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM.

As at the date of this announcement, the authorised share capital of the Company is HK\$100,000,000 divided into 10,000,000,000 Existing Shares of HK\$0.01 each, of which 888,400,000 Existing Shares have been issued and are fully paid or credited as fully-paid. Upon the Share Consolidation becoming effective but before the completion of the Rights Issue and assuming no further Shares will be issued or repurchased from the date of this announcement to the effective date of the Share Consolidation, the authorised share capital of the Company will become HK\$100,000,000 divided into 1,000,000,000 Consolidated Shares of HK\$0.10 each, of which 88,840,000 Consolidated Shares (which are fully paid or credited as fully-paid) will be in issue.

II. PROPOSED CHANGE IN BOARD LOT SIZE

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in board lot of 4,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 4,000 Existing Shares to 6,000 Consolidated Shares upon the Share Consolidation becoming effective.

III. PROPOSED RIGHTS ISSUE

The Board proposes to implement the Rights Issue on the basis of three (3) Rights Shares for every one (1) Consolidated Share held on the Record Date at the Subscription Price of HK\$0.27 per Rights Share, to raise gross proceeds of approximately HK\$71.96 million before expenses (assuming no further issue or repurchase of Shares or Consolidated Shares on or before the Record Date), by way of the Rights Issue of 266,520,000 Rights Shares to the Qualifying Shareholders.

The Company will provisionally allot to the Qualifying Shareholders three (3) Rights Shares in nil-paid form for every one Consolidated Share in issue and held on the Record Date. The Rights Issue will not be available to the Non-Qualifying Shareholders.

The estimated net proceeds from the Rights Issue after deducting all necessary expenses will be approximately HK\$69.46 million (assuming no further issue or repurchase of Shares or Consolidated Shares on or before the Record Date), which are intended to be applied in following manners: (i) approximately HK\$52.43 million for the repayment of the Promissory Notes; and (ii) approximately HK\$17.03 million for the general working capital of the Group.

The Rights Issue will be fully underwritten by the Underwriter. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed “THE UNDERWRITING AGREEMENT” in this announcement.

GEM LISTING RULES IMPLICATIONS

Since the proposed Rights Issue will increase the issued share capital or the market capitalisation of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the proposed Rights Issue must be made conditional on approval by the Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the proposed Rights Issue and the transactions contemplated thereunder.

As at the date of this announcement, the Company has no controlling Shareholder as defined under the GEM Listing Rules and none of the Directors and the chief executive of the Company and their respective associates holds any Existing Share as at the date of this announcement. Accordingly, no Shareholder shall abstain from voting in favour of the proposed resolution approving the Rights Issue at the EGM and no Director shall abstain from voting in favour of the Rights Issue at the meeting of the Board.

GENERAL

A circular containing, among other things, (i) further details of the Share Consolidation, the Change in Board Lot Size and the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Monday, 5 July 2021.

The Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders. The Company will despatch the Prospectus (without the PAL(s) and EAF(s)) to the Non-Qualifying Shareholders for their information only.

WARNING OF THE RISKS OF DEALING IN SHARES AND THE NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed “Termination of the Underwriting Agreement” in this announcement). Accordingly, the Rights Issue may or may not proceed.

Any Shareholder or other person dealing in the Existing Shares, the Consolidated Shares and/or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Existing Shares, the Consolidated Shares and/or the nil-paid Rights Shares. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

I. PROPOSED SHARE CONSOLIDATION

The Board intends to put forward a proposal to the Shareholders to effect the Share Consolidation which involves the consolidation of every ten (10) issued and unissued Existing Shares of par value of HK\$0.01 each into one (1) Consolidated Share of par value of HK\$0.10 each. The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have material interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution relating to the Share Consolidation at the EGM.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following:

- i. the passing of the ordinary resolution(s) by the Shareholders to approve the Share Consolidation at the EGM;
- ii. the compliance with all relevant procedures and requirements under the laws of the Cayman Islands (where applicable) and the GEM Listing Rules to effect the Share Consolidation; and
- iii. the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares arising from the Share Consolidation.

The Share Consolidation will become effective on Friday, 23 July 2021, being the business day immediately following the fulfillment of the above conditions.

Listing and dealings

Application will be made to the GEM Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares in issue arising from the Share Consolidation and all necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS.

Effects of the Share Consolidation

As at the date of this announcement, the authorised share capital of the Company is HK\$100,000,000 divided into 10,000,000,000 Existing Shares of HK\$0.01 each, of which 888,400,000 Existing Shares have been issued and are fully paid or credited as fully-paid. Upon the Share Consolidation becoming effective but before the completion of the Rights Issue and assuming no further Shares will be issued or repurchased from the date of this announcement to the effective date of the Share Consolidation, the authorised share capital of the Company will become HK\$100,000,000 divided into 1,000,000,000 Consolidated Shares of HK\$0.10 each, of which 88,840,000 Consolidated Shares (which are fully paid or credited as fully-paid) will be in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other. No fractional Consolidated Shares will be issued by the Company. Any fractional entitlements of the Consolidated Shares will be aggregated and sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder.

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Group or the interests or rights of the Shareholders, save for any fractional Consolidated Shares which may arise.

Adjustments in relation to other securities of the Company

As at the date of this announcement, there are outstanding Share Options for subscription of an aggregate amount of 8,000,000 Existing Shares under the Share Option Scheme. Pursuant to the terms of the Share Option Scheme, the Share Consolidation may lead to adjustments to the exercise price and/or the number of Shares falling to be issued upon the exercise of the Outstanding Share Options. The Company will make further announcement(s) on such adjustments as and when appropriate.

Save as disclosed above, as at the date of this announcement, the Company has no other outstanding options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Existing Shares.

Odd lots arrangements and matching services

In order to alleviate the difficulties arising from the existence of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company will procure an arrangement with an agent to stand in the market to provide matching services for sale and purchase of odd lots of the Consolidated Shares on a best effort basis. Further details in respect of the odd lots arrangements will be set out in the circular to be despatched.

Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares are not warranted. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

Free Exchange of share certificates

Subject to the Share Consolidation having become effective, Shareholders may, during the specified period, submit the existing share certificates for the Existing Shares to the Registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, in exchange, at the expense of the Company, for new share certificates for the Consolidated Shares. Thereafter, existing share certificates for the Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for the Consolidated Shares at the expense of the Shareholders on payment of a transfer fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued for the Consolidated Shares (whichever is higher) but are not acceptable for trading, settlement and registration.

The new share certificates for the Consolidated Shares will be issued in green in order to distinguish them from the existing share certificates in yellow.

Closure of register of members

The register of members of the Company will be closed from Thursday, 15 July 2021 to Wednesday, 21 July 2021 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM. No transfer of Shares will be registered during the above book closure period.

Listing and Dealings

Application will be made to the GEM Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares arising from the Share Consolidation and all necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS.

II. PROPOSED CHANGE IN BOARD LOT SIZE

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in board lot of 4,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 4,000 Existing Shares to 6,000 Consolidated Shares upon the Share Consolidation becoming effective.

Based on the closing price of HK\$0.037 per Existing Share (equivalent to the theoretical closing price of HK\$0.37 per Consolidated Share) as at the date of this announcement, (i) the value of each existing board lot of 4,000 Existing Shares is HK\$148; (ii) the value of each board lot of 4,000 Consolidated Shares would be HK\$1,480 assuming the Share Consolidation becoming effective; and (iii) the estimated value per board lot of 6,000 Consolidated Shares would be HK\$2,220 assuming that the Share Consolidation and the Change in Board Lot Size becoming effective.

The Change in Board Lot Size will not result in change in the relative rights of the Shareholders.

REASONS FOR THE SHARE CONSOLIDATION AND THE CHANGE IN BOARD LOT SIZE

Under Rule 17.76 of the GEM Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities.

Pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020 (the “**Guideline**”), the market price of the Shares at a level less than HK\$0.1 each will be considered as trading at extremity as referred to under Rule 17.76 of the GEM Listing Rules; and taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000. As at the date of this announcement, the closing price of the Company was HK\$0.037, with a board lot size of 4,000 Existing Shares, the existing board lot value was only HK\$148, which was less than HK\$2,000.

It is expected that the Share Consolidation will increase the nominal value of the Existing Shares and would bring about a corresponding upward adjustment in the trading price per Consolidated Share, hence, upon the Share Consolidation becoming effective, the share price of the Company would be adjusted to HK\$0.37, with a board lot size of 4,000 Consolidated Shares, the new board lot value would be HK\$1,480, which would still be less than HK\$2,000. By increasing the board lot size from 4,000 Existing Shares to 6,000 Consolidated Shares, the new board lot value would be HK\$2,220, which would be more than the required HK\$2,000.

The Board believes the Share Consolidation would reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction costs for each securities trade. In addition, despite the creation of odd lot shares as a result of the Share Consolidation and the Change in Board Lot Size, the Board considers that it would maintain the trading amount for each board lot at a reasonable level which increases the attractiveness in investing the Shares from a broader range of investors, in particular to institutional investors, whose house rules might otherwise prohibit or restrict trading in securities that are priced below a prescribed floor, and thus would help to further broaden the shareholder base of the Company. Accordingly, the Board believes the Share Consolidation and the Change in Board Lot Size are in the interests of the Company and the Shareholders as a whole.

III. PROPOSED RIGHTS ISSUE

The Board proposes, subject to, amongst others, the Share Consolidation becoming effective, the Rights Issue with the terms set out as follows:

Issue statistics

Basis of the Rights Issue:	Three (3) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price:	HK\$0.27 per Rights Share
Number of Shares in issue as at the date of this announcement:	888,400,000 Existing Shares

Number of Consolidated Shares in issue upon the Share Consolidation becoming effective:	88,840,000 Consolidated Shares (assuming no further issue or repurchase of Shares up to the effective date of the Share Consolidation)
Number of Rights Shares to be issued pursuant to the Rights Issue:	266,520,000 Rights Shares (assuming no further issue or repurchase of the new Shares or Consolidated Shares on or before the Record Date)
Total number of the Consolidated Shares in issue upon completion of the Share Consolidation and the Rights Issue:	355,360,000 Consolidated Shares (assuming no further issue or repurchase of new Shares or Consolidated Shares on or before the Record Date)
Gross proceeds from the Rights Issue:	Approximately HK\$71.96 million before expenses (assuming no further issue or repurchase of Shares or Consolidated Shares on or before the Record Date)
Right of excess applications:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

As at the date of this announcement, there are Outstanding Share Options for subscription of an aggregate amount of 8,000,000 Existing Shares under the Share Option Scheme, which are exercisable during a 10-year period from 9 October 2020 (being the date of grant of the Share Options). Save for the aforesaid, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the date of this announcement.

Assuming no Shares are issued or repurchased on or before the Record Date, 266,520,000 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 300% of the total number of the issued Consolidated Shares upon the Share Consolidation becoming effective and approximately 75% of the total number of issued Consolidated Shares as enlarged immediately upon completion of the Rights Issue.

The Options Holder's Undertaking

As at the date of this announcement, the holder of the Share Options has signed the Option Holder's Undertaking not to exercise the Share Options granted to him/her on or before the Record Date.

Save for the Options Holder's Undertaking, the Company has not received any information or irrevocable undertaking from any other Shareholders of their intention in relation to the Rights Shares to be allotted to them under the Rights Issue as at the date of this announcement.

The Subscription Price

The Subscription Price of HK\$0.27 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, upon an application of excess Rights Shares, or where a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- i. a discount of approximately 27.03% to the theoretical closing price of HK\$0.370 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.0370 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- ii. a discount of approximately 27.03% to the theoretical closing price of HK\$0.370 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0370 per Existing Share as quoted on the Stock Exchange on the Last Trading Day for the five (5) consecutive trading days up to and including the Last Trading Day;
- iii. a discount of approximately 27.61% to the average closing price of approximately HK\$0.373 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0373 per Existing Share as quoted on the Stock Exchange on the Last Trading Day for the ten (10) consecutive trading days up to and including the Last Trading Day;

- iv. a discount of approximately 8.47% to the theoretical ex-rights price of approximately HK\$0.295 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.0370 per Existing Share as quoted on the Stock Exchange on the Last Trading Day; and
- v. a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 20.27% of the theoretical diluted price of approximately HK\$0.295 per Consolidated Share to the benchmarked price of HK\$0.370 per Consolidated Share (after taking into account the effect of the Share Consolidation).

According to the annual report of the Company for the financial year ended 31 December 2020 (“**2020 Annual Report**”), as at 31 December 2020, the Group recorded a total net liabilities position of approximately HK\$26.0 million. And according to the first quarter report of the Company for the three months ended 31 March 2021 (the “**First Quarter Report**”), as at 31 March 2021, the Group had total liabilities of approximately HK\$117.6 million (31 December 2020: approximately HK\$111.6 million).

The Subscription Price was determined after arm’s length negotiation between the Company and the Underwriter with reference to, among others, the recent market price of the Existing Shares under the prevailing market conditions, the financial condition of the Company and the reasons and benefits of Rights Issue as discussed in the section headed “REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS” in this announcement. The Board (excluding the members of the Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) considers that the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank *pari passu* in all respects among themselves and with the Consolidated Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares. Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be a Non-Qualifying Shareholder. In order to be registered as members of the Company prior to the close of business on the Record Date, all transfers of the Consolidated Shares (together with the relevant share certificate(s)) must be lodged with the Registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Tuesday, 27 July 2021.

It is expected that the last day of dealings in the Consolidated Shares on a cum-rights basis is Friday, 23 July 2021, and the Consolidated Shares will be dealt with on an ex-rights basis from Monday, 26 July 2021.

Subject to the Share Consolidation having become effective, the passing of the resolution to approve the Rights Issue by the Shareholders at the EGM and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date and will despatch the Prospectus (without the PAL(s) and the EAF(s)) to the Non-Qualifying Shareholders for their information only.

Closure of register of members for the Rights Issue

The register of members of the Company will be closed from Wednesday, 28 July 2021 to Tuesday, 3 August 2021 (both days inclusive) for determining the entitlements of the Rights Issue. No transfer of the Consolidated Shares will be registered during the above book closure period.

Basis of provisional allotments

The Rights Shares will be allotted on the basis of three (3) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders as at the close of business on the Record Date.

Acceptance for all or any part of a Qualifying Shareholder's provisional allotment should be made only by completing a PAL and lodging the same with a remittance for the Rights Shares being accepted with the Registrar in Hong Kong by the Latest Time for Acceptance.

Rights of Overseas Shareholders (if any)

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Board will comply with Rule 17.41(1) of the GEM Listing Rules and make necessary enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions under the laws of relevant place(s) or the requirements of the relevant overseas regulatory body or stock exchange, no provisional allotment of the nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Non-Qualifying Shareholders. The basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

As at the date of this announcement, there is no Overseas Shareholder as shown on the register of members of the Company.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid pro rata (but rounded down to the nearest cent) to the Non-Qualifying Shareholders in Hong Kong dollars, except that the Company will retain individual amounts of less than HK\$100 for its own benefit. Any unsold entitlements of the Non-Qualifying Shareholders will be made available for excess application by the Qualifying Shareholders.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 17.41(1) of the GEM Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the Existing Shares or Consolidated Shares.

Application for the excess Rights Shares

Qualifying Shareholders shall be entitled to apply, by way of excess application, for (i) the Rights Shares representing the entitlement of the Non-Qualifying Shareholders and which cannot be sold at a net premium; and (ii) any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders or transferees of nil-paid Rights Shares. Applications for the excess Rights Shares may be made by completing the EAF(s) and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar the Latest Time for Acceptance (being no later than 4:00 p.m. on Wednesday, 18 August 2021).

The Board will allocate the excess Rights Shares at its discretion, but on a fair and equitable basis as far as practicable on the following principles:

- i. no preference will be given to applications for topping-up odd-lot holdings to whole-lot holdings as the giving of such preference may potentially be abused by certain investors by splitting their Shares and thereby receiving more Rights Shares than they would receive if such preference is not given, which is an unintended and undesirable result; and
- ii. the excess Rights Shares will be allocated to the applicants on a pro rata basis based on the number of excess Rights Shares applied for by them. No reference will be made to Rights Shares subscribed through PALs, or the number of Shares held by the Qualifying Shareholders.

Any Rights Shares not accepted for by the Qualifying Shareholders or transferees of nil-paid Rights Shares and not taken by excess application will be taken up by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement.

Beneficial owners of Shares that are held by a nominee company (including HKSCC Nominees Limited) should note that for the purpose of the Rights Issue, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the beneficial owners of Shares whose Shares are registered in name of nominee companies should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually and are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

For those beneficial owners of Shares whose Shares are held by their nominee(s) (including HKSCC Nominees Limited) and who would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for completion of the relevant registration not later than 4:30 p.m. (Hong Kong time) on Tuesday, 27 July 2021.

Certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on or before Thursday, 26 August 2021 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. If the Underwriting Agreement is terminated or not becoming unconditional, refund cheques will be despatched on or before Thursday, 26 August 2021 by ordinary post, at the respective Shareholders' own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Thursday, 26 August 2021, by ordinary post to the applicants, at their own risk, to their registered addresses. Each shareholder will receive one share certificate for all allotted shares.

Fractional entitlement to the Rights Shares

The Company will not provisionally allot and will not accept applications for any fraction of Rights Shares. All fractions of the Rights Shares will be aggregated (and rounded down to the nearest whole number). Fractional entitlements to any Rights Shares will be disregarded and will be aggregated and allocated to satisfy excess applications (if any) and/or disposed of in such manner as the Directors in their absolute discretion deem appropriate and for the benefits and interests of the Company.

Taxation

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the Rights Shares and, regarding the Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf.

Application for listing

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

THE UNDERWRITING ARRANGEMENT

The Underwriting Agreement

The Rights Shares will be fully underwritten by the Underwriter in accordance with the terms of the Underwriting Agreement as described below:

Date	:	7 June 2021 (after trading hours of the Stock Exchange)
Issuer	:	The Company
Underwriter	:	Space Securities Limited, a company incorporated in Hong Kong with limited liability and a corporation licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO, whose ordinary course of business includes underwriting of securities

As at the date of this announcement, the Underwriter did not hold any Shares. The Underwriter is an indirect wholly-owned subsidiary of Space Group Holdings Limited, which is a company listed on the Stock Exchange (stock code: 2448) and the controlling shareholders of which are Independent Third Parties.

Number of Rights Shares underwritten by the Underwriter	:	266,520,000 Rights Shares
Underwriting Commission	:	1.50% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter by reference to the financial position of the Group, the size of the Rights Issue, the current and expected market condition and the prevailing market rate. The Directors (excluding the independent non-executive Directors who will form their views after reviewing and considering the advice of the Independent Financial Adviser) consider that the entering into of the Underwriting Agreement with the Underwriter and the terms of the Underwriting Agreement (including the underwriting commission) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Subject to the fulfilment of the conditions (or any waiver, as the case may be, by the Underwriter) contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination (i.e. Thursday, 19 August 2021) in accordance with the terms thereof, the Underwriter has agreed to subscribe or procure the subscription for all Underwritten Shares that are not otherwise taken up.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination:

- (a) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - i. the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - ii. the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

- (b) any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction of trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (c) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (e) any other material adverse change in the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (f) the Prospectus Documents in connection with the Rights Issue when published contain information (either as to business prospects or the financial condition of the Group or as to its compliance with any laws or the GEM Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a reasonably prudent investor not to apply for its assured entitlements of Rights Shares under the Rights Issue; or
- (g) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or

- (h) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten (10) consecutive business days, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or
- (i) any moratorium, suspension or material restriction on trading of the shares on the Stock Exchange due to exceptional financial circumstances or otherwise,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If the Underwriter or the Company terminates the Underwriting Agreement, the proposed Rights Issue will not proceed. A further announcement would be made by the Company if the Underwriting Agreement is terminated by the Underwriter.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- a. the passing by the Shareholders (or the Independent Shareholders, as the case may be) at the EGM of relevant resolutions to approve the Share Consolidation, the Rights Issue, the Underwriting Agreement and the transactions respectively contemplated under the Underwriting Agreement;
- b. the Share Consolidation and the Change in Board Lot Size having become effective;
- c. the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) not later than the Prospectus Posting Date;
- d. the posting of the Prospectus Documents to the Qualifying Shareholders by the Prospectus Posting Date and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;

- e. the GEM Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms) by no later than the business day prior to the first day of their dealings;
- f. the Underwriting Agreement not being terminated or rescinded by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;
- g. compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;
- h. compliance with and performance of all the undertakings and obligations of the Options Holder under the Options Holder's Undertaking;
- i. there being no event which would have rendered any of the warranties given by the Company under the Underwriting Agreement untrue or incorrect in any material respect occurring prior to the Latest Time for Termination;
- j. the Shares remaining listed on GEM of the Stock Exchange at all times prior to the settlement date and the listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 10 trading days at any time prior to the Latest Time for Acceptance, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or circulars in connection with the Share Consolidation, the Change in Board Lot Size and the Rights Issue; and
- k. compliance with the requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands.

Save for the conditions (g), (i) and (j) which can be waived by the Underwriter, none of the above conditions can be waived. If any of the conditions referred to above is not fulfilled, or waived (where applicable) by the Latest Time for Termination, the Rights Issue will not proceed.

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group principally engages in interior design and fit-out solutions within commercial and office segments in Hong Kong.

The gross proceeds of the Rights Issue will be approximately HK\$71.96 million and the estimated net proceeds of the Rights Issue, after deducting the related expense, will be approximately HK\$2.50 million. The Company intends to apply the net proceeds from the Rights Issue as follows: (i) approximately HK\$52.43 million for the repayment of the Promissory Notes; and (ii) approximately HK\$17.03 million for the general working capital of the Group.

As at the date of this announcement, the Promissory Notes is held by Ms. Tsang, who is a third party independent of and not connected with the Company and its connected persons.

As noted from the First Quarter Report, as at 31 March 2021, the Group had total liabilities of approximately HK\$117.6 million (31 December 2020: approximately HK\$111.6 million) which mainly comprise of trade and other payables, contract liabilities, amount due to non-controlling interest, lease liabilities and borrowings amounting to approximately HK\$68.7 million (31 December 2020: approximately HK\$63.5 million) and promissory notes payable of approximately HK\$48.9 million (31 December 2020: HK\$48.1 million), and as at 31 March 2021, the gearing ratio of the Group that is expressed as a percentage of interest-bearing debt (i.e. borrowings and promissory notes payable) over total assets is approximately 75.6% while the gearing ratio was approximately 75.0% as at 31 December 2020.

As at the date of this announcement, the aforesaid borrowings of the Group were unsecured borrowings owed by a non-wholly owned subsidiary of the Group to independent third parties with the aggregate principal amount of approximately HK\$22.40 million, with an interest rates of 12% per annum, and will be matured by the end of 2021. On the other hand, as disclosed in the 2020 Annual Report, the Promissory Notes carry an interest rate at 8% per annum, the maturity date of which was extended to 19 June 2022 from the initial maturity date on 19 June 2020.

As at the date of this announcement, the aforesaid non-wholly owned subsidiary of the Group is owned as to 60% by the Company, 35% by Mr. Wong Kang Man (an executive Director and also a director of the non-wholly owned subsidiary) and 5% by another director of the non-wholly owned subsidiary, the early repayment of the borrowings owed by the aforesaid non-wholly subsidiary will also require financing from the other two shareholders in proportion to their respective shareholding while the other two shareholders has no intention to provide such financing for early repayment at this moment. On the other hand, having considered that (i) the Promissory Notes and the accrued interest payable are owed by the Company and (ii) the outstanding amount of the Promissory Notes and the accrued interest payable by the Company are approximately HK\$46.16 million and approximately HK\$6.27 million as at 31 May 2021, the Directors (excluding the members of the Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) believe that prioritising the repayment of the Promissory Notes by the net proceeds would enable the Group to release its financial burden and is in the interests of the Company and the Shareholders as a whole.

Save as above, in view of the current challenging financial position of the Group (i.e. net liabilities position of approximately HK\$26.0 million as at 31 December 2020), it would constrain the business development of the Group. Besides, the annual finance cost of the Promissory Notes which amounts to approximately HK\$3.70 million, has been becoming a heavy burden on the Group's operation. As such, the Directors consider it is essential to trim down the debt level of the Group to relieve its financial burden.

At the same time, the Board is of the view that the remaining net proceeds of approximately HK\$17.03 million would allow the Company to maintain sufficient working capital to meet the short-term potential challenges posed by the COVID-19 threat.

In view of the above, Board (excluding the members of the Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) believes the Rights Issue would enable the Group to reduce the financial leverage and strengthen its financial position.

The Board has considered various fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing of new shares and open offer.

It is the Group's intention to obtain bank financing which may incur lower interest rate. The Company has approached two commercial banks in Hong Kong for exploring the possibility of obtaining new banking facilities. However, the Company has not received the response from one of the two commercial banks, and given the volatile market conditions and the net liabilities position of the Group as at 30 June 2020, another commercial bank turned down the request of the Company for banking facilities at an early stage and there was no further negotiation of scale or terms between the Company and this commercial bank.

With respect to equity financing, the Board considers that placing of new Shares would be a suboptimal fund-raising means as it will lead to an immediate dilution in shareholding interest of the existing Shareholders without offering them opportunities to participate in the enlargement of the capital base of the Company. The Board has also considered conducting pro rata fund-raising by way of open offer, which is of similar nature as the Rights Issue. Under the Rights Issue, nil-paid Rights Shares will be allotted to the Qualifying Shareholders and they can liquidate their entitlement rights by disposing such nil-paid Rights Shares during the prescribed period of time for economic benefits (if they do not wish to subscribe for the Rights Shares). However, under an open offer, there are no nil-paid Rights Shares to be allotted and the Shareholders cannot realise and liquidate their entitlement rights. Therefore, the Rights Issue would be more favourable as it offers the Qualifying Shareholders an option to sell their entitlement rights when comparing with an open offer.

Furthermore, the Directors consider that the Rights Issue, which is on a fully underwritten basis, will allow the Group to strengthen its capital structure without incurring debt financing cost. Meanwhile, the Board is also of the view that the Rights Issue represents an opportunity for the Company to strengthen its financial position after having considered that: (i) the continuous net loss of the Group for the financial year ended 31 December 2019 and 2020 and the net liabilities position of the Group as at 31 December 2020; (ii) the Rights Issue offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and their intention to participate in the future development of the Company should they wish to do so; (iii) the discount of the Subscription Price to the prevailing market price could enhance the attractiveness of the Rights Issue and it is the Company's objective to encourage the participation of Qualifying Shareholders in the Rights Issue; and (iv) after considering other alternative fund-raising methods, it is prudent to finance the Group's long-term growth by long-term financing, preferably in the form of equity which will not increase the Group's finance costs.

Therefore, the Board (excluding the members of the Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) considers that raising funds by way of the Rights Issue is more cost effective and efficient.

As at the date of this announcement, save for the Rights Issue, the Board has no intention or plan to conduct other equity fund raising activities in the next 12 months. However, if there shall arise any change of the Group's current circumstances and existing business plans and that the net proceeds from the Rights Issue may not satisfy such upcoming financing needs, the Board does not rule out the possibility that the Company may conduct further equity fund raising exercises to support such future developments of the Group. The Company will make further announcement in this regard in accordance with the GEM Listing Rules as and when appropriate.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the possible changes in the shareholding structure of the Company arising from the proposed Share Consolidation and Rights Issue which are for illustrative purpose only.

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the Share Consolidation becoming effective but before completion of the Rights Issue; (iii) immediately after completion of the Rights Issue, assuming full acceptance by all Shareholders; and (iv) immediately after completion of the Rights Issue, assuming nil acceptance by the Shareholders:

	(i) As at the date of this announcement		(ii) Immediately after the Share Consolidation becoming effective but before completion of the Rights Issue		(iii) Assuming all Shareholders take up their respective allotment of Rights Shares in full		(iv) Assuming no Shareholders take up any of the Rights Shares and the Underwriter takes up the Rights Shares in full	
	<i>No. of Existing Shares</i>	<i>Approx. % (Note 3)</i>	<i>No. of Consolidated Shares</i>	<i>Approx. % (Note 3)</i>	<i>No. of Consolidated Shares</i>	<i>Approx. % (Note 3)</i>	<i>No. of Consolidated Shares</i>	<i>Approx. % (Note 3)</i>
Climb Up Limited (<i>Note 1</i>)	115,000,000	12.94	11,500,000	12.94	46,000,000	12.94	11,500,000	3.24
Underwriter (<i>Notes 2 and 4</i>)	-	-	-	-	-	-	266,520,000	75.00
Public Shareholders	773,400,000	87.06	77,340,000	87.06	309,360,000	87.06	77,340,000	21.76
Total	888,400,000	100.00	88,840,000	100.00	355,360,000	100.00	355,360,000	100.0

Notes:

1. Climb Up Limited is a company incorporated in the British Virgin Islands with limited liability. The entire share capital of Climb Up Limited is owned as to 50% by Mr. Wong Yu Ki Andy and 50% by Mr. Lam Leslie as at the date of this announcement.

2. Pursuant to the Underwriting Agreement, the Underwriter undertakes to the Company that the Underwriter shall use all reasonable endeavours to ensure that each of the subscribers or purchasers of the Untaken Shares procured by it (i) shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with any directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules); and (ii) shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 10.00% or more of the voting rights of the Company upon completion of the Rights Issue.
3. The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.
4. The public float requirements under the GEM Listing Rules shall be fulfilled by the Company upon completion of the Rights Issue. To ensure the compliance of the public float requirements under the GEM Listing Rules can be fulfilled by the Company, the Underwriter intends to enter into sub-underwriting agreements before the publication of the Prospectus Documents.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY FOR THE PAST TWELVE MONTHS

Save as disclosed below, the Company did not raise funds on any issue of equity securities raising activities during the past twelve months immediately preceding the date of this announcement:

Date of announcement	Event	Net proceeds raised	Intended use of net proceeds	Actual use of net proceeds as at the date of this announcement
17 August 2020	Placing of New Shares under general mandate	Approximately HK\$5.16 million	General working capital of the Group	Working capital of the Group (approximately HK\$5.16 million has been utilised as at the date of this announcement)

EXPECTED TIMETABLE OF THE SHARE CONSOLIDATION, THE PROPOSED CHANGE IN BOARD LOT SIZE AND THE RIGHTS ISSUE

The expected timetable for the Share Consolidation, the Change in Board Lot size and the Rights Issue is set out below:

Event	Date (Hong Kong time)
Publication of this announcement	Monday, 7 June 2021
Expected despatch date of the Circular, proxy form and notice of the EGM	Monday, 5 July 2021
Latest time for lodging transfers of Existing Shares in order to qualify for attendance and voting at the EGM	4:30 p.m. on Wednesday, 14 July 2021
Closure of the register of members (both dates inclusive)	From Thursday, 15 July 2021 to Wednesday, 21 July 2021
Latest time for lodging proxy forms for the EGM (not less than 48 hours prior to the time of the EGM)	12:00 noon on Monday, 19 July 2021
Record date for determining attendance and voting at the EGM	Wednesday, 21 July 2021
Expected date and time of the EGM	12:00 noon on Wednesday, 21 July 2021
Announcement of the poll result of the EGM	Wednesday, 21 July 2021
Register of members re-open	Thursday, 22 July 2021
Effective date of the Share Consolidation	Friday, 23 July 2021
Commencement of dealings in the Consolidated Shares	9:00 a.m. on Friday, 23 July 2021

Original counter for trading in Existing Shares
in board lots of 4,000 Existing Shares
(in the form of existing share certificates) temporarily closes 9:00 a.m. on
Friday, 23 July 2021

Temporary counter for trading in the Consolidated Shares
in board lots of 400 Consolidated Shares
(in the form of existing share certificates) opens 9:00 a.m. on
Friday, 23 July 2021

First day of free exchange of existing share certificates
for new share certificates for the Consolidated Shares Friday, 23 July 2021

Last day of dealings in the Consolidated Shares
on a cum-rights basis relating to the Rights Issue Friday, 23 July 2021

First day of dealings in the Consolidated Shares
on an ex-rights basis relating to the Rights Issue Monday, 26 July 2021

Latest time for the Shareholders to
lodge transfer documents of the Consolidated Shares
in order to be qualified for the Rights Issue 4:30 p.m. on
Tuesday, 27 July 2021

Closure of register of members to determine
the eligibility of the Rights Issue
(both dates inclusive) From Wednesday, 28 July 2021 to
Tuesday, 3 August 2021

Record date for the Rights Issue Tuesday, 3 August 2021

Register of members of the Company re-opens Wednesday, 4 August 2021

Despatch of the Prospectus Documents
(including the PAL, EAF and Prospectus)
(in case of the Non-Qualifying Shareholders,
the Prospectus only) Wednesday, 4 August 2021

Original counter for trading in the Consolidated Shares
in board lots of 6,000 Consolidated Shares
(in the form of new share certificates) reopens 9:00 a.m. on
Friday, 6 August 2021

Parallel trading in the Consolidated Shares
(in the form of both existing share certificates and
new share certificates) commences 9:00 a.m. on
Friday, 6 August 2021

Designated broker starts to stand in the market
to provide matching services for odd lots of
the Consolidated Shares and fully-paid Rights Shares Friday, 6 August 2021

First day of dealings in nil-paid Rights Share Friday, 6 August 2021

Latest time for splitting the PAL 4:30 p.m. on
Tuesday, 10 August 2021

Last day of dealings in nil-paid Rights Shares Friday, 13 August 2021

Latest time for acceptance of and payment for
the Rights Shares and application and
payment for excess Rights Shares 4:00 p.m. on
Wednesday, 18 August 2021

Latest time for the termination of
the Underwriting Agreement and for
the Rights Issue to become unconditional 4:00 p.m. on
Thursday, 19 August 2021

Announcement of allotment results of the Rights Issue Wednesday, 25 August 2021

Temporary counter for trading in the Consolidated Shares
in board lots of 400 Consolidated Shares
(in the form of existing share certificates) closes 4:10 p.m. on
Thursday, 26 August 2021

Parallel trading in Consolidated Shares

(represented by both existing share certificates and

new share certificates) ends 4:10 p.m. on
Thursday, 26 August 2021

Despatch of share certificates for fully-paid Rights Shares

and refund cheques (if any) for wholly and partially

unsuccessful excess applications to be posted Thursday, 26 August 2021

Commencement of dealings in fully-paid Rights Shares 9:00 a.m. on

Friday, 27 August 2021

Latest time for free exchange of existing share certificates

for new share certificates Monday, 30 August 2021

Designated broker ceases to stand in the market

to provide matching services for odd lots of

the Consolidated Share and fully-paid Rights Shares 4:10 p.m. on
Thursday, 16 September 2021

All times and dates stated above refer to Hong Kong local times and dates. The expected timetable for the Share Consolidation, the Change in Board Lot Size and the Rights Issue set out above and all dates and deadlines specified in this announcement are indicative only and may be varied. Any changes to the expected timetable will be announced in a separate announcement by the Company as and when appropriate.

EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The Latest Time for Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if:

1. typhoon signal No. 8 (or above);
2. “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region; or
3. a “black” rainstorm warning
 - i. is/are in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
 - ii. is/are in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in the “EXPECTED TIMETABLE OF THE SHARE CONSOLIDATION, THE PROPOSED CHANGE IN BOARD LOT SIZE AND THE RIGHTS ISSUE” above may be affected. Announcement will be made by the Company in such event.

GEM LISTING RULES IMPLICATIONS

Since the proposed Rights Issue will increase the issued share capital or the market capitalisation of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the proposed Rights Issue must be made conditional on approval by the Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the proposed Rights Issue and the transactions contemplated thereunder.

As at the date of this announcement, the Company has no controlling Shareholder as defined under the GEM Listing Rules and none of the Directors and the chief executive of the Company and their respective associates holds any Existing Share as at the date of this announcement. Accordingly, no Shareholder shall abstain from voting in favour of the proposed resolution approving the Rights Issue at the EGM and no Director shall abstain from voting in favour of the Rights Issue at the meeting of the Board.

GENERAL

A circular containing, among other things, (i) further details of the Share Consolidation, the Change in Board Lot Size and the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Monday, 5 July 2021.

The Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders. The Company will despatch the Prospectus (without the PAL(s) and EAF(s)) to the Non-Qualifying Shareholders for their information only.

WARNING OF THE RISKS OF DEALING IN SHARES AND THE NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed “Termination of the Underwriting Agreement” in this announcement). Accordingly, the Rights Issue may or may not proceed.

Any Shareholder or other person dealing in the Existing Shares, the Consolidated Shares and/or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Existing Shares, the Consolidated Shares and/or the nil-paid Rights Shares. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“acting in concert”	has the same meaning ascribed thereto under the Takeovers Code
“associate(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors

“Business Day(s)”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 4,000 Existing Shares to 6,000 Consolidated Shares
“Company”	AL Group Limited (stock code: 8360), a company incorporated in the Cayman Islands with limited liability and the issued Shares are listed on the GEM of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“COVID-19”	the coronavirus disease occurred since January 2020 which is an infectious disease caused by severe acute respiratory syndrome coronavirus
“Director(s)”	the director(s) of the Company
“EAF(s)”	the excess application form(s) for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, in such usual form as may be agreed between the Company and the Underwriter

“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Share Consolidation and the Rights Issue
“Existing Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company prior to the Share Consolidation having become effective
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Committee”	has the meaning ascribed to it in the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors formed for the purpose of giving a recommendation to Independent Shareholders as to whether the Rights Issue and the Underwriting Agreement are fair and reasonable and as to voting after taking into account the advice of the Independent Financial Adviser
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue

“Independent Shareholder(s)”	any Shareholder(s) other than any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons
“Last Trading Day”	7 June 2021, being the last trading day of the Existing Shares on the Stock Exchange before the release of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 18 August 2021 or other time or date as may be agreed in writing between the Company and the Underwriter, being the latest time for acceptance of, and payment for, the Rights Shares and application and payment for excess Rights Shares
“Latest Time for Termination”	4:00 p.m. on Thursday, 19 August 2021 or such other time or date as the Underwriter may agree in writing with the Company
“Ms. Tsang”	Ms. Tsang Hui Yan, an Independent Third Party
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Options Holder”	holder of the Outstanding Share Options
“Outstanding Share Option(s)”	as at the date of this announcement, there are 8,000,000 outstanding share options granted under the Share Option Scheme

“Options Holder’s Undertaking”	the irrevocable and unconditional undertaking given by the Options Holder in favour of the Company and the Underwriter, details of which is set out in the paragraph headed “The Options Holder’s Undertaking” under the section headed “Proposed Rights Issue” in this announcement
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register at that time is (are) in (a) place(s) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Promissory Notes”	the promissory notes issued by the Company on 20 June 2018 and is held by Ms. Tsang as at the date of this announcement, which bears interest at 8% per annum and is due on 19 June 2022 with an outstanding principal amount of approximately HK\$46.16 million and an accrued interest of approximately HK\$6.27 million as at 31 May 2021
“Prospectus”	the prospectus to be despatched to the Shareholders containing the details of the Rights Issue
“Prospectus Documents”	collectively, the Prospectus, the PAL and the EAF
“Prospectus Posting Date”	Wednesday, 4 August 2021 or such other date as may be agreed in writing between the Underwriter and the Company, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus for information only to the Non-Qualifying Shareholders

“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Tuesday, 3 August 2021 or such other date as may be agreed between the Company and the Underwriter in writing for the determination of the entitlements under the Rights Issue
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, being Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares on the basis of three (3) Rights Shares for every one (1) Consolidated Share held on the Record Date at the Subscription Price on the terms and subject to the conditions in the Underwriting Agreement
“Rights Share(s)”	the new Consolidated Share(s) to be allotted and issued under the Rights Issue
“SFO”	the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Share(s)”	the Existing Share(s) and/or the Consolidated Share(s), as the case may be
“Shareholder(s)”	holder(s) of issued Share(s)
“Share Consolidation”	the consolidation of every ten (10) issued and unissued Existing Shares of HK\$0.01 each into one (1) Consolidated Share of HK\$0.10 each
“Share Option Scheme”	the share option scheme adopted by the Company on 15 June 2016

“Share Options”	share options to subscribe for the Shares granted and to be granted under the Share Option Scheme
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.27 per Rights Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	Space Securities Limited, a company incorporated in Hong Kong with limited liability and a corporation licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO, whose ordinary course of business includes underwriting of securities
“Underwriting Agreement”	the underwriting agreement dated 7 June 2021 (after trading hours of the Stock Exchange) entered into between the Company and the Underwriter in respect of the Rights Issue
“Underwritten Shares”	266,520,000 Rights Shares underwritten by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement
“Untaken Shares”	any of the Underwritten Shares which have not been taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares or applicants under excess applications by the Latest Time for Acceptance
“%”	per cent.

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

Hong Kong, 7 June 2021

As at the date of this announcement, the executive Directors are Mr. Lam Chung Ho Alastair, Mr. Kwan Tek Sian 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, 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 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.