

# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitors, professional accountant or other professional adviser.

If you have sold or transferred all your shares in AL Group Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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This circular appears for information purposes only and does not constitute an invitation or offer to the Shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.



## 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 IN BOARD LOT SIZE;  
(3) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3)  
RIGHTS SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE  
HELD ON THE RECORD DATE;  
AND  
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial adviser to the Company



Underwriter to the Rights Issue



Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders



FDB Financial Group Ltd  
灑展金融集團有限公司

Capitalised terms used in this cover page have the same meanings as defined in this circular.

A letter from the Board is set out on pages 14 to 46 of this circular. A letter from the Independent Board Committee is set out on pages IBC-1 to IBC-2 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages IFA-1 to IFA-20 of this circular.

It should be noted that the Shares will be dealt in on an ex-rights basis from Friday, 13 August 2021. Dealings in the Rights Shares in the nil-paid form will take place from Thursday, 26 August 2021 to Thursday, 2 September 2021 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Thursday, 26 August 2021 to Thursday, 2 September 2021 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

A notice convening the EGM to be held at Suite 807, 8/F, Harcourt House, 39 Gloucester Road, Wan Chai, Hong Kong on Tuesday, 10 August 2021 at 12:00 noon is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours (i.e. 12:00 noon on Sunday, 8 August 2021 (Hong Kong time)) before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right in its absolute discretion to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. Such events are set out in the section headed "Termination of the Underwriting Agreement" of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

**In view of the ongoing Novel Coronavirus (COVID-19) epidemic, the Company will implement the following precautionary measures at the EGM, including:**

- (a) compulsory body temperature checks (any person with fever, respiratory symptoms or a body temperature of over 37.3 degree Celsius will not be permitted access to the EGM venue);
- (b) request of wearing of surgical face masks throughout the EGM and not wearing surgical face masks will not be permitted access to the EGM venue;
- (c) hand sanitizer will be provided;
- (d) no refreshments will be served and there will be no corporate gifts; and
- (e) other safety measures as appropriate.

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## CHARACTERISTICS OF GEM

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GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## EXPECTED TIMETABLE

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*Set out below is the expected timetable for the proposed Share Consolidation, the proposed Change in Board Lot Size and the proposed Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the proposed Share Consolidation, the proposed Change in Board Lot Size and the proposed Rights Issue will be fulfilled. The expected timetable is subject to change. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.*

**All time and date references contained in this circular shall refer to Hong Kong local time and dates.**

<b>Event</b>	<b>Date (Hong Kong time)</b>
Despatch of this circular . . . . .	Friday, 23 July 2021
Latest time for lodging transfers of Shares in order to qualify for attendance and voting at the EGM . . . . .	4:30 p.m. on Tuesday, 3 August 2021
Closure of the register of members (both dates inclusive) . . . . .	From Wednesday, 4 August 2021 to Tuesday, 10 August 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 Sunday, 8 August 2021
Record date for determining attendance and voting at the EGM . . . . .	Tuesday, 10 August 2021
<b>Expected date and time of the EGM . . . . .</b>	<b>12:00 noon on Tuesday, 10 August 2021</b>
Announcement of the poll results of the EGM . . . . .	Tuesday, 10 August 2021
Register of members re-open . . . . .	Wednesday, 11 August 2021
Effective date of the Share Consolidation . . . . .	Thursday, 12 August 2021
Commencement of dealings in the Consolidated Shares . . . . .	9:00 a.m. on Thursday, 12 August 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 Thursday, 12 August 2021

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## EXPECTED TIMETABLE

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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 Thursday, 12 August 2021
First day of free exchange of existing share certificates for new share certificates for the Consolidated Shares .....	Thursday, 12 August 2021
Last day of dealings in the Consolidated Shares on a cum-rights basis relating to the Rights Issue .....	Thursday, 12 August 2021
First day of dealings in the Consolidated Shares on an ex-rights basis relating to the Rights Issue .....	Friday, 13 August 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 Monday, 16 August 2021
Closure of register of members to determine the eligibility of the Rights Issue (both dates inclusive) .....	From Tuesday, 17 August 2021 to Monday, 23 August 2021
Record date for the Rights Issue .....	Monday, 23 August 2021
Register of members of the Company re-opens .....	Tuesday, 24 August 2021
Despatch of the Prospectus Documents (including the PAL, EAF and Prospectus) (in case of the Non-Qualifying Shareholders, the Prospectus only) .....	Tuesday, 24 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 Thursday, 26 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 Thursday, 26 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 .....	Thursday, 26 August 2021

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## EXPECTED TIMETABLE

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First day of dealings in nil-paid Rights Share . . . . .	Thursday, 26 August 2021
Latest time for splitting of the PAL . . . . .	4:30 p.m. on Monday, 30 August 2021
Last day and time of dealings in nil-paid Rights Shares . . . . .	4:00 p.m. on Thursday, 2 September 2021
<b>Latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares . . . . .</b>	<b>4:00 p.m. on Tuesday, 7 September 2021</b>
Latest time for the termination of the Underwriting Agreement and for the Rights Issue to become unconditional . . . . .	4:00 p.m. on Wednesday, 8 September 2021
Announcement of allotment results of the Rights Issue . . . . .	Tuesday, 14 September 2021
Temporary counter for trading in board lots of 400 Consolidated Shares (in the form of existing share certificates) closes . . . . .	4:10 p.m. on Wednesday, 15 September 2021
Parallel trading in the Consolidated Shares (in the form of new and existing share certificates) ends . . . . .	4:10 p.m. on Wednesday, 15 September 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 . . . . .	Wednesday, 15 September 2021
Commencement of dealings in fully-paid Rights Shares . . . . .	9:00 a.m. on Thursday, 16 September 2021
Latest time for free exchange of existing share certificates for new share certificates . . . . .	Friday, 17 September 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 . . . . .	4:00 p.m. on Friday, 8 October 2021

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## EXPECTED TIMETABLE

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All times and dates stated above refer to Hong Kong local times and dates. The expected timetable for the proposed Share Consolidation, the proposed Change in Board Lot Size and the proposed Rights Issue set out above and all dates and deadlines specified in this circular 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” above may be affected. Announcement will be made by the Company in such event.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the meanings as set out below:*

“2020 Annual Report”	the annual report of the Company for the financial year ended 31 December 2020
“2021 First Quarter Report”	the first quarter report of the Company for the three months ended 31 March 2021
“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
“Announcement”	the announcement of the Company dated 7 June 2021 in relation to, among other things, the proposed Share Consolidation, the proposed Change in Board Lot Size and the proposed Rights Issue
“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



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## DEFINITIONS

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“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
“connected person(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Controlling Shareholder(s)”	has the same meaning ascribed thereto under 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 having become 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 proposed Share Consolidation and the proposed Rights Issue and the transactions contemplated thereunder
“Existing Share(s)”	existing 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 same meaning ascribed thereto under the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries

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## DEFINITIONS

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“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 PRC
“Independent Board Committee”	an independent board committee comprising Mr. Tse Chi Shing, Mr. Tse Wai Hei and Mr. Tam Chak Chi, being all the independent non-executive Directors to advise the Independent Shareholders as to the fairness and reasonableness of the proposed Rights Issue and the transactions contemplated thereunder
“Independent Financial Adviser” or “FDB Financial”	FDB Financial Group Limited, a licensed corporation to carry out Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue and the transactions contemplated thereunder
“Independent Shareholder(s)”	any Shareholder(s) not required under the GEM Listing Rules to abstain from voting on the resolution(s) approving the proposed Share Consolidation, the proposed Rights Issue and the transactions contemplated thereunder at the EGM
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons
“Last Trading Day”	Monday, 7 June 2021, being the last trading day of the Existing Shares on the Stock Exchange before the release of the Announcement
“Latest Lodging Time”	4:30 p.m. on Monday, 16 August 2021 or such other time and/or date as may be agreed between the Underwriter and the Company as the latest time for lodging transfer of the Consolidated Shares in order to qualify for the Rights Issue

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## DEFINITIONS

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“Latest Practicable Date”	19 July 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 7 September 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 as described in the Prospectus Documents
“Latest Time for Termination”	4:00 p.m. on Wednesday, 8 September 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 Shareholders”	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
“Options Holder’s Undertaking”	the irrevocable and unconditional undertaking provided 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 circular
“Outstanding Share Option(s)”	as at the Latest Practicable Date, there are 8,000,000 outstanding share options granted under the Share Option Scheme
“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 is (are) outside Hong Kong

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## DEFINITIONS

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“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue, being in such usual form as may be agreed between the Company and the Underwriter
“PRC”	People’s Republic of China, which for the purpose of this circular shall exclude Hong Kong, Taiwan and Macau Special Administrative Region
“Promissory Note”	the promissory note issued by the Company on 20 June 2018 and is held by Ms. Tsang as at the Latest Practicable Date, 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 details of the proposed Rights Issue
“Prospectus Documents”	collectively, the Prospectus, PAL and EAF
“Prospectus Posting Date”	Tuesday, 24 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 Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Monday, 23 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

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## DEFINITIONS

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“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 proposed Rights Issue
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	Existing Share(s) and/or Consolidated Share(s), as the case may be
“Shareholder(s)”	holder(s) of issued Existing Share(s) and/or Consolidated Shares
“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 Options”	share options to subscribe for the Shares granted and to be granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 15 June 2016
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.27 per Rights Share
“substantial shareholder(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“Underwriter”	Space Securities Limited, a company incorporated in Hong Kong with limited liability and a corporation licensed to carry out Type 1 (Dealing in Securities) regulated activity under the SFO, whose ordinary course of business includes underwriting of securities

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## DEFINITIONS

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“Underwriting Agreement”	the underwriting agreement dated 7 June 2021 (after trading hours of the Stock Exchange) (as amended and supplemented by the extension letter dated 5 July 2021) entered into between the Company and the Underwriter in respect of the proposed Rights Issue
“Underwritten Shares”	266,520,000 Rights Shares underwritten by the Underwriter pursuant to the terms 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
“%” or “per cent”	percentage or per centum.

*In case of inconsistency, the English text of this circular shall prevail over its Chinese text.*

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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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 hereof) 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 or 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 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

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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- (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 the 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.**



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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Lam Chung Ho, Alastair

Mr. Kwan Tek Sian

*Independent non-executive Directors:*

Mr. Tse Chi Shing

Mr. Tse Wai Hei

Mr. Tam Chak Chi

*Registered Office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head Office and Principal place  
of business in Hong Kong:*

Suite 807, 8/F

Harcourt House

39 Gloucester Road

Wan Chai

Hong Kong

23 July 2021

*To the Shareholders*

Dear Sir or Madam,

**(1) PROPOSED SHARE CONSOLIDATION;  
(2) PROPOSED CHANGE IN 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**

#### INTRODUCTION

Reference is made to the Announcement in relation to, among other things, (i) the proposed Share Consolidation; (ii) the proposed Change in Board Lot Size; and (iii) the proposed Rights Issue.

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## LETTER FROM THE BOARD

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The Independent Board Committee has been established, comprising all the independent non-executive Directors, to advise the Independent Shareholders in relation to the proposed Rights Issue and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you, 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; (iv) other information required under the GEM Listing Rules; and (v) a notice convening the EGM to be convened for the purpose of considering and, if thought fit, approve, among other things, the Share Consolidation and the Rights Issue.

### **(1) PROPOSED SHARE CONSOLIDATION**

The Board proposes to implement the Share Consolidation on the basis that every ten (10) issued and unissued Existing Shares of par value of HK\$0.01 each into one (1) Consolidated Share 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.

As at the Latest Practicable Date, none of the conditions set out above has been satisfied.

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## LETTER FROM THE BOARD

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The Share Consolidation will become effective on Thursday, 12 August 2021, being the next Business Day immediately following the fulfilment 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.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange upon the Share Consolidation becoming effective, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date 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 settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

### **Effects of the Share Consolidation**

As at the Latest Practicable Date, 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 Latest Practicable Date 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.

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## LETTER FROM THE BOARD

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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 Latest Practicable Date, 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 Latest Practicable Date, 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, Space Securities Limited has been appointed to provide matching service for odd lots of the Consolidation Shares arising from the Share Consolidation at the relevant market price per Share for the period from Thursday, 26 August 2021 to Friday, 8 October 2021 (both dates inclusive). Shareholders of odd lots of the Consolidated Shares who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holdings of odd lots of the Consolidated Shares should contact Mr. Mak of Space Securities Limited at Room 7, 11th Floor, Emperor Group Center, 288 Hennessy Road, Wan Chai, Hong Kong (telephone number (852) 2510 0322) during this period.

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.

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## LETTER FROM THE BOARD

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### **Free Exchange of share certificates**

Subject to the Share Consolidation becoming 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 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 Wednesday, 4 August 2021 to Tuesday, 10 August 2021 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM. No transfer of the Existing Shares will be registered during the above book closure period.

## **(2) PROPOSED CHANGE IN BOARD LOT SIZE**

As at the Latest Practicable Date, 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\$0.028 per Existing Share (equivalent to the theoretical closing price of HK\$0.28 per Consolidated Share) as at the Latest Practicable Date, (i) the value of each existing board lot of 4,000 Existing Shares is HK\$112; (ii) the value of each board lot of 4,000 Consolidated Shares would be HK\$1,120 assuming the Share Consolidation becoming effective; and (iii) the estimated value per board lot of 6,000 Consolidated Shares would be HK\$1,680 assuming that the Share Consolidation and the Change in Board Lot Size having become effective.

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

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## LETTER FROM THE BOARD

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### 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 Latest Practicable Date, the closing price of the Existing Shares was HK\$0.028, with a board lot size of 4,000 Existing Shares, the existing board lot value was only HK\$112, 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 closing price of the Shares would be adjusted to HK\$0.28, with a board lot size of 4,000 Consolidated Shares, the new board lot value would be HK\$1,120, 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\$1,680.

In view of the recent trading prices of the Shares at a level less than HK\$0.1 and the existing board lot value being less than HK\$2,000, the proposed Share Consolidation will increase the nominal value of the Shares and would bring about a corresponding upward adjustment in the trading price per board lot of the Consolidated Shares on the Stock Exchange. As such, it would (i) enable the Company to comply with the trading requirements under the GEM Listing Rules; and (ii) 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.

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## LETTER FROM THE BOARD

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It is expected that the Share Consolidation and the Change in Board Lot Size will bring about a corresponding upward adjustment in the trading price per Consolidated Share on the Stock Exchange and will increase the value of each board lot of the Consolidated Shares to more than HK\$2,000. With a higher trading price of the Consolidated Shares will enhance the Company's corporate image and reduce the transaction and handling costs as a proportion of the market value of each board lot, the Board believes that it will make investing in the Shares more attractive to 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 further broaden the shareholder base of the Company. The Share Consolidation will not have any adverse effect on the financial position of the Group nor result in change in the relative rights of the Shareholders.

Taking into account the daily closing prices of the Existing Shares during the period commencing from 8 March 2021 (being three months prior to the Last Trading Day) up to and including the Latest Practicable Date (the "**Review Period**") ranged from HK\$0.028 to HK\$0.044. By considering the average daily closing price for the Review Period of approximately HK\$0.03624 (equivalent to approximately HK\$0.362 per Consolidated Share) and the new board lot size of 6,000, the value per new board lot during the Review Period were higher than HK\$2,000. As such, the Board considers that the Share Consolidation would enable the Company to comply with the trading requirements under the GEM Listing Rules.

In order to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposes to implement the Share Consolidation. It is expected that the Share Consolidation, together with the Change in Board Lot Size, will increase the value of each board lot of the Consolidated Shares to more than HK\$2,000 and thereby attract more investors and thus further broaden the shareholder base of the Company.

In view of the above reasons, the Board considers the Share Consolidation and the Change in Board Lot Size are in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, save for the corporate actions as disclosed in this circular, the Company has no plan to conduct any corporate actions in the next 12 months.

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## LETTER FROM THE BOARD

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### (3) PROPOSED RIGHTS ISSUE

The Board proposes, subject to, amongst others, the Share Consolidation having become 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 Existing Shares in issue as at the Latest Practicable Date	:	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 Existing 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 Existing 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 Existing 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 Existing 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



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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, 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 Latest Practicable Date.

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 Latest Practicable Date, 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 Latest Practicable Date.

### **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 3.57% to the theoretical closing price of HK\$0.28 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.028 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- 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 closing price of HK\$0.0370 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

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## LETTER FROM THE BOARD

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- iii. 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 for the five (5) consecutive trading days up to and including the Last Trading Day;
- iv. 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 for the ten (10) consecutive trading days up to and including the Last Trading Day;
- v. 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
- vi. a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 20.27%, represented by the theoretical diluted price of approximately HK\$0.295 per Consolidated Share to the benchmarked price of approximately HK\$0.370 per Consolidated Share (after taking into account the effect of the Share Consolidation).

According to the 2020 Annual Report, as at 31 December 2020, the Group recorded a net liabilities position of approximately HK\$26.0 million. And according to the 2021 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 the circular.

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## LETTER FROM THE BOARD

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In determining the Subscription Price, which represents a discount of approximately 27.03% (the “Discount Rate”) to the theoretical closing price of HK\$0.370 per Consolidated Share on the Last Trading Day, the Directors have considered, among other things as mentioned above, market price of the Existing Shares traded on the Stock Exchange in the past three months prior to and including the Last Trading Day (the “Relevant Period”), as a benchmark to reflect the prevailing market conditions and recent market sentiment.

During the Relevant Period, the Shares were traded on the Stock Exchange with a theoretical closing price ranges between HK\$0.34 per Consolidated Share (based on the lowest closing price of HK\$0.034 per Existing Share) and HK\$0.44 per Consolidated Share (based on the highest closing price of HK\$0.044 per Existing Share), with an average closing price of approximately HK\$0.39 per Consolidated Share (based on the average closing price of HK\$0.039 per Existing Share). The Subscription Price of HK\$0.27 per Consolidated Share represents (i) a discount of approximately 20.59% to the lowest theoretical closing price of HK\$0.34 per Consolidated Share; (ii) a discount of approximately 38.64% to the highest theoretical closing price of HK\$0.44 per Consolidated Share; and (iii) a discount of approximately 30.77% to the theoretical average closing price of approximately HK\$0.39 per Consolidated Share. Given the trading prices of the Shares during the Relevant Period have been fluctuating due to the uncertainties of the stock market in Hong Kong and the ongoing impact of the COVID-19 pandemic, the Directors considered the level of the Subscription Price demonstrated a reasonable discount to the Shareholders who wish to participate in the proposed Rights Issue.

In addition, the Directors have considered the Discount Rate with reference to the rights issue transactions that were announced by the companies listed on the Stock Exchange during the Relevant Period (the “Reference Transactions”), details of which are set forth in the following table.

Date of announcement	Stock code	Company name	Basis	Premium/ (discount) of the subscription price over/to the closing price per share on last trading day (%)	Excess application
17/03/2021	499	Qingdao Holdings International Limited	1 for 1	(18.80)	Yes
24/03/2021	8445	Noble Engineering Group Holdings Limited	1 for 2	(33.80)	No
26/03/2021	1638	Kaisa Group Holdings Ltd.	1 for 7	(25.13)	Yes

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## LETTER FROM THE BOARD

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Date of announcement	Stock code	Company name	Basis	Premium/ (discount) of the subscription price over/to the closing price per share on last trading day (%)	Excess application
29/03/2021	8120	China Demeter Financial Investments Limited	3 for 1	(17.36)	No
08/04/2021	918	State Energy Group International Assets Holdings Limited	3 for 1	(22.20)	No
09/04/2021	3919	Golden Power Group Holdings Limited	1 for 2	(21.40)	Yes
12/04/2021	8163	Merdeka Financial Group Limited	5 for 2	(21.05)	Yes
23/04/2021	8231	PFC Device Inc.	1 for 2	(20.00)	Yes
28/04/2021	482	Sandmartin International Holdings Limited	1 for 2	(16.00)	No
04/05/2021	204	China Investment Development Limited	1 for 2	(10.31)	Yes
04/05/2021	2369	Coolpad Group Limited	1 for 2	(41.10)	Yes
11/05/2021	524	Great Wall Belt & Road Holdings Limited	1 for 4	(18.90)	Yes
11/05/2021	370	China Best Group Holding Limited	1 for 2	(45.21)	No
13/05/2021	1991	Ta Yang Group Holdings Limited	1 for 2	(22.22)	Yes
18/05/2021	92	Champion Technology Holdings Limited	3 for 1	8.70	Yes

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## LETTER FROM THE BOARD

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Date of announcement	Stock code	Company name	Basis	Premium/ (discount) of the subscription price over/to the closing price per share on last trading day (%)	Excess application
20/05/2021	810	China Internet Investment Finance Holdings Limited	1 for 2	(51.22)	Yes
01/06/2021	1315	Vision Fame International Holding Limited	1 for 4	(60.78)	No
		<b>Maximum discount</b>		<b>(60.78)</b>	
		<b>Minimum discount</b>		<b>(10.31)</b>	
		<b>Average discount</b>		<b>(27.84)</b>	

According to the above table, the Directors understood that the discount rate of subscription price to the closing price of each Reference Transaction quoted on their respective last trading days ranges from 10.31% to 60.78%, with an average discount of approximately 27.84%. Hence, the Discount Rate of approximately 27.03% is within the aforesaid range and similar to the average discount rate of the Reference Transactions.

Although the Subscription Price is set at the Discount Rate of 27.03% to the theoretical closing price of HK\$0.370 per Consolidated Share on the Last Trading Day, having considered the aforesaid factors, the Directors (including the independent non-executive Directors whose view is set out in the Letter from the Independent Board Committee contained in this circular) are of the view that the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### **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 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 Monday, 16 August 2021.

It is expected that the last day of dealings in the Consolidated Shares on a cum-rights basis is Thursday, 12 August 2021, and the Consolidated Shares will be dealt with on an ex-rights basis from Friday, 13 August 2021.

**Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted.**

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, 4 August 2021 to Tuesday, 10 August 2021 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

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## LETTER FROM THE BOARD

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The register of members of the Company will be closed from Tuesday, 17 August 2021 to Monday, 23 August 2021 (both days inclusive) for determining the Shareholders' entitlements of the Rights Issue. No transfer of Existing Shares and/or Consolidated Shares will be registered during the above book closure periods.

### **Basis of provisional allotments**

The basis of the provisional allotment shall be three (3) Rights Shares for every one (1) Consolidated Share in issue and held by the Qualifying Shareholders at the close of business on the Record Date, being 266,520,000 Rights Shares at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

### **Rights of Overseas Shareholders (if any)**

The Prospectus Documents are not intended to be registered under the applicable securities legislation 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 Latest Practicable Date, there is no Overseas Shareholder as shown on the register of members of the Company.

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## LETTER FROM THE BOARD

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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 the Consolidated Shares.**

### **Application for the excess Rights Shares**

Under the proposed Rights Issue, Qualifying Shareholders may apply, by way of excess application, for (i) the Rights Shares representing the entitlement of the Non-Qualifying Shareholders 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 no later than the Latest Time for Acceptance (being no later than 4:00 p.m. on Tuesday, 7 September 2021).

The Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis 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 the Rights Shares subscribed through applications by PALs, or the existing number of Shares held by the Qualifying Shareholders.



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## LETTER FROM THE BOARD

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In the event that the Board noted unusual patterns of excess applications and had reason to believe that any application may have been made with the intention to abuse the mechanism, such application for excess Rights Shares may be rejected at the sole discretion of the Board.

Any Rights Shares not accepted 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 Monday, 16 August 2021.

### **Share certificates 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 Wednesday, 15 September 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 Wednesday, 15 September 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 Wednesday, 15 September 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.

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## LETTER FROM THE BOARD

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### **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.

### **Odd lots arrangements and matching services**

In order to alleviate the difficulties arising from the existence of odd lots (if any) of the Rights Shares arising from the proposed Rights Issue, Space Securities Limited has been appointed to provide matching service for odd lots of the Rights Shares arising from the Rights Issue at the relevant market price per Share for the period from Thursday, 26 August 2021 to Friday, 8 October 2021 (both dates inclusive). Shareholders of odd lots of the Rights Shares who wish to acquire odd lots of the Rights Shares to make up a full board lot, or to dispose of their holdings of odd lots of the Rights Shares should contact Mr. Mak of Space Securities Limited at Room 7, 11th Floor, Emperor Group Center, 288 Hennessy Road, Wan Chai, Hong Kong (telephone number (852) 2510 0322) during this period.

Holders of odd lots of the Rights Shares should note that successful matching of the sale and purchase of odd lots of the Rights 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.

### **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 of the Rights Shares**

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.

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## LETTER FROM THE BOARD

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The board lot size of the nil-paid Rights Shares shall be the same as that of the fully-paid Rights Shares, i.e. 6,000 Consolidated Shares in one board lot.

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.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

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

### **Conditions of the Rights Issue**

The Rights Issue is conditional upon (i) the approval by the Independent Shareholders at the EGM by passing the necessary resolution(s) according to Rule 10.29(1) of the GEM Listing Rules; and (ii) the Underwriting Agreement having become unconditional and not being terminated in accordance with the terms thereof. For details of the conditions of the Underwriting Agreement, please refer to the section headed "Conditions precedent of the Underwriting Agreement" in this letter.

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## LETTER FROM THE BOARD

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### THE UNDERWRITING AGREEMENT

#### 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) (as amended and supplemented by the extension letter dated 5 July 2021)

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 such, the Underwriter complies with Rule 10.24A(1) of the GEM Listing Rules.

As at the Latest Practicable Date, 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

On 5 July 2021, the Company and the Underwriter entered into an extension letter and the parties thereto mutually agreed to revise the timetable of the proposed Rights Issue and except for the extension of the timetable, all other terms of the Underwriting Agreement remain the same and in full force and effect.

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## LETTER FROM THE BOARD

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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 (including the independent non-executive Directors who have formed their views after reviewing and considering the advice of the Independent Financial Adviser) consider 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. Wednesday, 8 September 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

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## LETTER FROM THE BOARD

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- (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 or 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 the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or

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## LETTER FROM THE BOARD

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- (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 precedent of the Underwriting Agreement

The Underwriting Agreement is conditional upon the following conditions being fulfilled or waived (as appropriate):

- a. the passing by the Shareholders (or the Independent Shareholders, as the case may be) at the EGM of relevant resolution(s) to approve the Share Consolidation, the Rights Issue, the Underwriting Agreement and the transactions 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;

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## LETTER FROM THE BOARD

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- 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 the 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.

As at the Latest Practicable Date, none of the conditions set out above has been satisfied or waived.

### **REASONS FOR AND BENEFITS OF THE PROPOSED 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 of approximately HK\$2.50 million, will be approximately HK\$69.46 million. The Company intends to apply the net proceeds from the Rights Issue as follows: (i) approximately



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## LETTER FROM THE BOARD

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HK\$52.43 million for the repayment of the Promissory Note; and (ii) approximately HK\$17.03 million for the general working capital of the Group, including approximately HK\$11.84 million for the payment of employee benefit, approximately HK\$4.16 million for the payment of other expenses (excluding depreciation) and approximately HK\$1.03 million for the repayment of lease liabilities.

The Promissory Note was issued by the Company to Climb Up Limited (“**Climb Up**”) in August 2018 with the principal amount of HK\$57,405,000 for the settlement of partial consideration for the acquisition of 49% of the entire equity interest of Primo Group (BVI) Limited, which will be matured on the second anniversary date of the date of issue of the Promissory Note or may be extended to the fourth anniversary date of the date of issue of the Promissory Note (for more details please refer to the circular of the Company dated 25 May 2018). In November 2019, the Company and Climb Up entered into an extension letter to extend the maturity date of the Promissory Note up to the fourth anniversary date from the date of issue of the Promissory Note.

In December 2020, the Company has provided its written consent to Climb Up for transferring the Promissory Note to Ms. Tsang. Given that the transfer of the Promissory Note between Climb Up and Ms. Tsang was a private transaction, the Company did not have further information in relation to the transfer.

As at the Latest Practicable Date, the Promissory Note 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 note 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 Latest Practicable Date, the aforesaid borrowings of the Group were owed by its non-wholly owned subsidiary with an aggregate amount of approximately HK\$21.80 million, which comprise of (i) the borrowings owed to independent third parties with the aggregate principal amount of approximately HK\$16.20 million, which bear interest rates of 12% per annum and will be matured by the end of 2021; and (ii) the loan owed to its director who is also a shareholder of such non-wholly owned subsidiary, with principal amount of approximately HK\$5.60 million, which is non-interest bearing and repayable on demand. On the other hand, as disclosed in the 2020 Annual Report, the Promissory Note 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.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the aforesaid non-wholly owned subsidiary of the Group is owned as to 60% by the Company, 35% by Mr. Wong Kang Man (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 owned subsidiary of the Group 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 Note and the accrued interest payable are owed by the Company and (ii) the outstanding amount of the Promissory Note 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 (including the members of the Independent Board Committee who have formed their view after reviewing and considering the advice from the Independent Financial Adviser) believe that prioritising the repayment of the Promissory Note 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 Note 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, the Board (including the members of the Independent Board Committee who have formed 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.

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## LETTER FROM THE BOARD

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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 the 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 (including the independent non-executive Directors whose view is set out in the Letter from the Independent Board Committee contained in this circular) considers that raising funds by way of the Rights Issue is more cost effective and efficient.

As at the Latest Practicable Date, 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.

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## LETTER FROM THE BOARD

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### RISK FACTORS

The business operations and results of the Group may be affected by various factors, some of which are external causes and some are inherent to the business. The Board is aware that the Group is exposed to various risks and the principal risks and uncertainties are summarised below:

- i. The Group rely heavily on the interior designers and decorators, failure in retaining qualified and talented interior designers and decorators could affect the Group's business operations;
- ii. The Group generally do not enter into long-term agreements with its clients. Failure to obtain new contracts or to retain its existing clients could materially affect its financial performance;
- iii. The Group's service fee may not be paid in full due to variation, suspension or termination of contracts, which could be out of the Group's control;
- iv. The Group's business rely on whether the Group's ability to successfully meet clients' preference by delivering its interior designs and capture the market trend in a timely manner, and if the Group fail to meet a specified standard or requirement, the Group may have to incur additional costs to remedy the defect for its clients, and the Group's reputation and business could suffer;
- v. Negative publicity or damage to its business reputation may have potential adverse impact on the Group's business; and
- vi. The Group relies on its suppliers to complete certain projects and are subject to risk arising from the non-compliance, late performance or poor performance by such suppliers. Also, there is no assurance that these suppliers will be able to continue to provide services to them at fees acceptable to them.

### EFFECTS ON 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 the proposed Rights Issues which are for illustrative purpose only.

## LETTER FROM THE BOARD

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (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:

	Immediately after completion of the Rights Issue							
	(i) As at the Latest Practicable Date		(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	
	No. of Existing Shares	Approx. % (Note 3)	No. of Consolidated Shares	Approx. % (Note 3)	No. of Consolidated Shares	Approx. % (Note 3)	No. of Consolidated Shares	Approx. % (Note 3)
Climb Up Limited (Note 1)	115,000,000	12.94	11,500,000	12.94	46,000,000	12.94	11,500,000	3.24
Underwriter (Notes 2 and 4)	-	-	-	-	-	-	266,520,000	75.00
Public Shareholders	<u>773,400,000</u>	<u>87.06</u>	<u>77,340,000</u>	<u>87.06</u>	<u>309,360,000</u>	<u>87.06</u>	<u>77,340,000</u>	<u>21.76</u>
<b>Total</b>	<b><u>888,400,000</u></b>	<b><u>100.00</u></b>	<b><u>88,840,000</u></b>	<b><u>100.00</u></b>	<b><u>355,360,000</u></b>	<b><u>100.00</u></b>	<b><u>355,360,000</u></b>	<b><u>100.00</u></b>

*Notes:*

- 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 Latest Practicable Date.
- Pursuant to the Underwriting Agreement, the Underwriter undertakes to the Company that the Underwriter and its sub-underwriters shall use all reasonable endeavours to ensure that each of the subscribers or purchasers of the Untaken Shares procured by them (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.
- The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.
- 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 advised that, as at the Latest Practicable Date, they have approached sub-underwriters (who are Independent Third Parties) and are negotiating on the underlying commercial terms. The Underwriter expect that the sub-underwriting agreement will be entered on or before the publication of the Prospectus Documents.

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## LETTER FROM THE BOARD

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

Apart from the equity fund raising activities set out below, the Company had not conducted any other equity fund raising activities in the past 12 months immediately preceding the Latest Practicable Date:

<i>Date of announcement</i>	<i>Event</i>	<i>Net proceeds raised</i>	<i>Intended use of net proceeds</i>	<i>Actual use of net proceeds as at the Latest Practicable Date</i>
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 Latest Practicable Date)

### POSSIBLE ADJUSTMENTS RELATING TO THE OUTSTANDING SHARE OPTIONS

As at the Latest Practicable Date, 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 from 9 October 2020 to 8 October 2030.

Pursuant to the terms and conditions of the Share Option Scheme, the exercise prices and/or number of new Shares to be issued upon exercise of the Outstanding Share Options may be adjusted in accordance with the terms and conditions of the Share Option Scheme, if any, upon the Share Consolidation being effective and the Rights Issue becoming unconditional. An independent financial adviser of the Company has been appointed to certify the necessary adjustments to the exercise prices and numbers of the Outstanding Share Options. Further announcement relating to such adjustments will be made by the Company in this regard as and when appropriate.

Save as disclosed above, as at the Latest Practicable Date, 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 Shares.

### GEM LISTING RULES IMPLICATIONS

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.

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## LETTER FROM THE BOARD

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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 Latest Practicable Date, 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 Latest Practicable Date. 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

The Independent Board Committee has been established, comprising all the independent non-executive Directors, to advise the Independent Shareholders in relation to the proposed Rights Issue and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Subject to the approval of the proposed Rights Issue by the Independent Shareholders at the EGM, 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

**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 circular). 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.**



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## LETTER FROM THE BOARD

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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).

### EGM

The notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. The EGM will be convened on Tuesday, 10 August 2021 at 12:00 noon at Suite 807, 8/F, Harcourt House, 39 Gloucester Road, Wan Chai, Hong Kong for the purpose of, considering and, if thought fit, approve, among other things, the proposed Share Consolidation and the proposed Rights Issue and the transactions contemplated thereunder.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Registrar in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of a form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

### RECOMMENDATION

You are advised to read carefully the letter from the Independent Board Committee and the letter from the Independent Financial Adviser set out on pages IBC-1 to IBC-2 and pages IFA-1 to IFA-20 respectively of this circular.

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Tse Chi Shing, Mr. Tse Wai Hei and Mr. Tam Chak Chi, having taken into account the advice of the Independent Financial Adviser, considers that (i) the terms of the Rights Issue are fair and reasonable; and (ii) the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed resolutions approving the proposed Rights Issue and the transactions contemplated thereunder at the EGM.

Accordingly, the Directors believe that the proposed Share Consolidation, the Change in Board Lot Size and the terms of the proposed Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Group and the Shareholders as a whole, therefore, the Directors recommend the Independent Shareholders to vote in favour of the proposed resolutions approving the Share Consolidation and the proposed Rights Issue and the transactions contemplated thereunder at the EGM.



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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular. In case of any inconsistency between the English and Chinese versions of this circular, the English version will prevail.

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this circular.*



### **AL Group Limited** **利駿集團（香港）有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8360)**

23 July 2021

*To the Independent Shareholders*

Dear Sir or Madam,

#### **PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE HELD ON THE RECORD DATE**

We refer to the circular of the Company dated 23 July 2021 (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to (i) whether the terms of the Rights Issue are fair and reasonable; (ii) whether the Rights Issue is in the interests of the Company and the Shareholders as a whole; and how to vote at the EGM. FDB Financial has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of its advice together with the principal factors and reasons it has taken into consideration on giving its advice, are contained in its letter set out on pages IFA-1 to IFA-20 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the principal factors and reasons considered by, and the advice of FDB Financial, we considered that (i) the terms of the Rights Issue are fair and reasonable; and (ii) the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the proposed Rights Issue and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
the Independent Board Committee

**Mr. Tse Chi Shing**

**Mr. Tse Wai Hei**  
*Independent non-executive Directors*

**Mr. Tam Chak Chi**

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the letter of advice from the Independent Financial Adviser, FDB Financial Group Limited, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



**FDB Financial Group Ltd**  
**豐展金融集團有限公司**

23 July 2021

*To: The Independent Board Committee and the Independent Shareholders of AL Group Limited*

Dear Sir/Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3)  
RIGHTS SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE  
HELD ON THE RECORD DATE**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 23 July 2021 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

According to the Letter from the Board, the Board proposes to effect the Share Consolidation which involves the consolidation of every ten (10) issued and unissued Existing Shares into one (1) Consolidated Share. Upon the Share Consolidation becoming effective, 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 Rights Issue will not be available to the Non-Qualifying Shareholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 Note; and (ii) approximately HK\$17.03 million for the general working capital of the Group, including approximately HK\$11.84 million for the payment of employee benefit, approximately HK\$4.16 million for the payment of other expenses (excluding depreciation) and approximately HK\$1.03 million for the repayment of lease liabilities.

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 circular, 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 Latest Practicable Date. Accordingly, no Shareholder shall abstain from voting in favour of the proposed resolution approving the Rights Issue at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Tse Chi Shing, Mr. Tse Wai Hei and Mr. Tam Chak Chi, has been established to advise and provide recommendation to the Independent Shareholders on the proposed Rights Issue and to advise the Independent Shareholders on how to vote. We, FDB Financial Group Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and whether the Rights Issue is in the interests of the Company and the Shareholders as a whole.

### **OUR INDEPENDENCE**

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company and any other parties that could reasonably be regarded as relevant to our independence. During the past two years, we have not been appointed as an independent financial adviser for the Company. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence and we are independent from the Company pursuant to Rule 17.96 of the GEM Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things, (i) the Company's annual report for the year ended 31 December 2020 (the "**2020 Annual Report**"); (ii) the Company's annual report for the year ended 31 December 2019 (the "**2019 Annual Report**"); (iii) the Announcement; and (iv) other information as set out in the Circular. We have also relied on all relevant information, opinions and facts supplied and represented by the Company and the management of the Company. We have assumed that all such information, opinions, facts and representations contained or referred to in the Circular, for which the Company is fully responsible, were true and accurate in all material respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out independent verification of the information provided by the management and the representatives of the Company, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of the Company or any of its subsidiaries.

This letter is issued to the Independent Shareholders solely in connection for their consideration of the Rights Issue and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent. Our opinion is based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

#### 1. Background information

The Group is principally engaged in the provision of interior design and fit out solutions services as well as overall project management in Hong Kong. Set out below are the financial information of the Group for the three years ended 31 December 2020 as extracted from the 2020 Annual Report and 2019 Annual Report:

	Year ended 31 December		
	2020	2019	2018
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Revenue	67,076	142,729	162,434
Finance cost	(5,065)	(4,236)	(1,439)
Loss for the year	(42,211)	(60,765)	(37,985)
Total assets	85,643	123,536	173,120
Total debts ( <i>Note 1</i> )	(64,255)	(63,282)	(52,390)
Gearing ratio ( <i>Note 2</i> )	75.0%	51.2%	30.3%
Total liabilities	(111,621)	(116,537)	(105,256)
Net (liabilities)/assets	(25,978)	6,999	67,864

*Notes:*

1. Represent interest bearing debts which include borrowings and promissory note payable.
2. Calculated as a percentage of total debts over total assets as at the respective financial year end.

As shown in the table above, revenue of the Group has deteriorated in the past three years and recorded a drastic decrease of approximately 58.7% from approximately HK\$162.4 million in FY2018 to approximately HK\$67.1 million in FY2020. With reference to the 2019 Annual Report and 2020 Annual Report, the decrease in revenue was mainly attributable to the marches and protests in Hong Kong in year 2019 and coronavirus outbreak in year 2020. Notwithstanding the continuous decrease in revenue and loss making position of the Group, finance cost has increased by approximate HK\$3.6 million or 252.0% from approximately HK\$1.4 million in FY2018 to approximately HK\$5.1 million in FY2020 which further weighed down the financial performance of the Group. As discussed in the 2020 Annual Report and 2019 Annual Report, the increase in finance cost over the past three years was mainly attributable to the increase in total debts and increase in interest rate of the promissory note after extension of its maturity to year 2022. The Group is exposed to a rising gearing ratio from 30.3% in FY2018 to 75.0% in FY2020 and recorded a net liabilities position in FY2020.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the 2020 Annual Report, the management believes that in the near future the interior design and fit out industry will be increasingly challenging because of the unstable economic and political environment. However, the management is of the view that the good brand name and good customer experience provided by the Group would enable the Group to grow once the political environment becomes stable and the economy recovers.

### **2. Reasons for and benefits of the Rights Issue and the use of proceeds**

According to the Letter from the Board, the Company intends to apply the net proceeds of approximately HK\$69.46 million from the Rights Issue as follows: (i) approximately HK\$52.43 million for the repayment of the Promissory Note; and (ii) approximately HK\$17.03 million for the general working capital of the Group, including approximately HK\$11.84 million for the payment of employee benefit, approximately HK\$4.16 million for the payment of other expenses (excluding depreciation) and approximately HK\$1.03 million for the repayment of lease liabilities. As advised by the management of the Group, the Group decides to prioritize the repayment of Promissory Note which carries an interest rate of 8% per annum over the early repayment of an unsecured borrowing which carries higher interest rate of 12% per annum because the early repayment of the borrowings owed by a non-wholly subsidiary of the Group will also require financing from the other two shareholders in proportion to their respective shareholding in that relevant subsidiary while the other two shareholders have no intention to provide such financing for early repayment as at the Latest Practicable Date.

As advised by the management of the Company, the outstanding amount of the Promissory Note 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. We are given to understand that the Promissory Note is held by an individual who is a third party independent of and not connected with the Company and its connected persons.

Having considered (i) the deteriorating financial performance of the Group in the past three years; (ii) the increase in finance cost and piling up of debts; and (iii) the rising gearing ratio of the Group, we concur with the Directors' view that the trimming down of debt level of the Group to relieve its financial burden is in the interests of the Company and the Shareholders as a whole.

As advised by the management of the Company, they have considered other debt or equity fund raising alternatives such as new banking facilities at lower interest rate, placing of new Shares and open offer. For debt financing, the Company has approached two commercial banks in Hong Kong for exploring the possibility of obtaining new banking facilities but failed to receive response from one bank and got turned down on the request by another. In light of the net liabilities position and deteriorating financial performance of the Group, it is not unforeseeable that the Group received unfavorable feedback from banks on debt financing. We therefore concur with the view of the Directors that it is more practical to use equity financing to improve the Group's financial position.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 also considered a pro rata fund-raising by way of open offer is not preferred because there are no nil-paid Rights Shares to be allotted and the Shareholders cannot realise and liquidate their entitlement rights.

Having considered that (i) the main purpose of this fund raising exercise is to reduce the debt level and strengthen the capital structure of the Group; (ii) debt financing at lower interest rate is unavailable to the Group; (iii) placing of new Shares would create immediate dilution effect which is unfavorable to existing Shareholders; and (iv) open offer that does not allot nil-paid Rights Shares to Shareholders is unfavorable to Shareholders who prefer to trade their entitlement rights in open market than to participate in the fund raising exercise, we concur with the view of the Directors that equity financing by Rights Issue, which offers equal opportunity for all Qualifying Shareholders to participate and maintain their respective proportionate interests in the Company if they wish to while giving them flexibility to trade the nil-paid Rights Shares in open market, is a suitable financing method which is in the interests of the Company and the Shareholders as a whole.

### 3. Major terms of the Rights Issue

#### *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 Circular	:	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)

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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
Underwriting commission	:	1.50% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *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.

According to the Letter from the Board, 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 Letter from the Board.

#### A. Comparison of the Subscription Price

The Subscription Price of HK\$0.27 per Rights Share represents:

- (i) a discount of approximately 3.57% to the theoretical closing price of HK\$0.28 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.028 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (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 closing price of HK\$0.0370 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) 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;
- (iv) 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;

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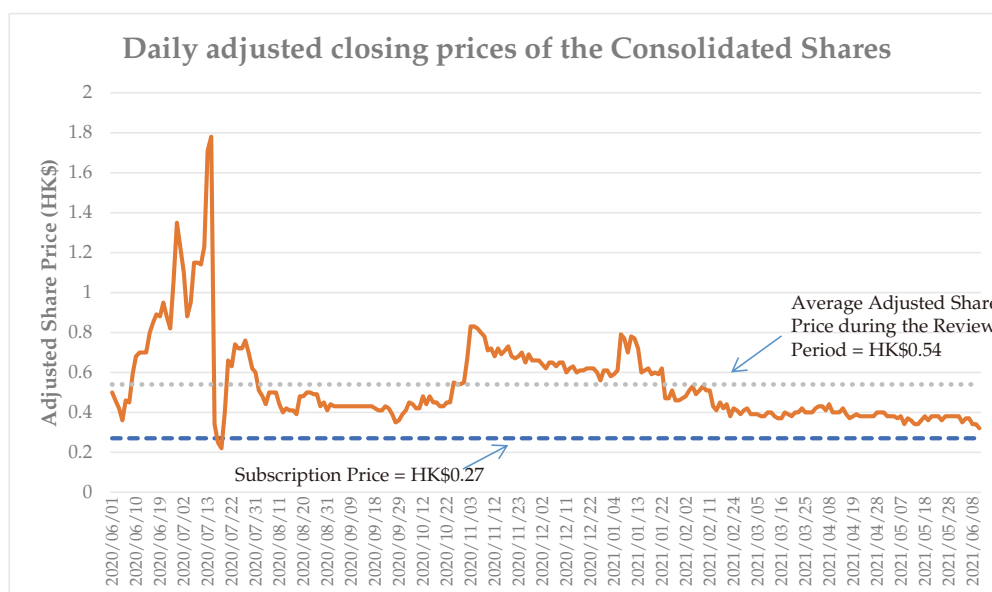
## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (v) 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;
- (vi) 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); and
- (vii) a premium to the unaudited consolidated net liabilities per Consolidated Share (after taking into account the effect of the Share Consolidation) of approximately HK\$0.220 based on the capital deficiency attributable to owners of the Company of approximately HK\$19.5 million as at 31 March 2021 and 88,840,000 Consolidated Shares upon the Share Consolidation becoming effective.

### B. Adjusted historical price of the Consolidated Shares

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily adjusted closing prices and trading volume of the Consolidated Shares covering a period from 1 June 2020 to the Last Trading Day (the “**Review Period**”) (being a period of approximately 12 months prior to and including the Last Trading Day) and compared with the Subscription Price. We consider that a 12-month coverage is reasonably long enough to illustrate the historical trend and level of movement of the adjusted closing prices of the Consolidated Shares and the Review Period is fair to reflect the market assessment on the financial performance of the Group before and after the release of the latest annual results for FY2020 and the general market sentiment under prolonged coronavirus pandemic.



Source: Website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown in the chart above, during the Review Period, the average adjusted share price was approximately HK\$0.54 per Consolidated Share (the “**Average Adjusted Share Price**”). The daily adjusted closing price ranged from HK\$0.22 per Consolidated Share (the “**Lowest Adjusted Share Price**”) to HK\$1.78 per Consolidated Share (the “**Highest Adjusted Share Price**”) during the Review Period. In most of the time during the Review Period, the Consolidated Shares were traded above the Subscription Price. The Subscription Price of HK\$0.27 represents (i) a premium of approximately 22.7% to the Lowest Adjusted Share Price; (ii) a discount of approximately 84.8% to the Highest Adjusted Share Price; and (iii) a discount of approximately 50.0% to the Average Adjusted Share Price for the Review Period.

We notice that the Highest Adjusted Share Price was an all-time-high share price since February 2018 which collapsed rapidly within a few trading days to the Lowest Adjusted Share Price and therefore we consider the unsustainable Highest Adjusted Share Price does not serve a meaningful reference when assessing the Subscription Price.

Since late January 2021 and up to the Last Trading Day, the Consolidated Shares have been traded below the Average Adjusted Share Price. As discussed with management of the Group, it is believed that the recent general downward trend of the share price may be resulted from the unstable economic outlook and prolonged coronavirus pandemic that cast uncertainty on the future financial performance of the Group. In light of the current declining share price of the Company and as discussed in the section headed “Comparison with recent rights issue exercises” below, we note that it is a common market practice to set the subscription price at a discount to the prevailing market prices of the relevant shares in order to increase the attractiveness and encouraging shareholders to participate in the rights issue.

### C. Historical trading volume of the Consolidated Shares

The following table sets out the trading volume of the Consolidated Shares during the Review Period:

Month/period	Total trading volume (No. of Shares)	Total trading volume (No. of Consolidated Shares)	No. of trading days	Average daily trading volume of Consolidated Shares	Percentage of average daily trading volume to the total number of Consolidated Shares in issue (Note 2)	Percentage of average daily trading volume to the total number of Consolidated Shares held by the Public (Note 3)
<u>Year 2020</u>						
June	144,292,000	14,429,200	21	687,105	0.8%	0.9%
July	2,052,552,000	205,255,200	22	9,329,782	10.5%	12.1%
August	69,836,000	6,983,600	21	332,552	0.4%	0.4%
September	20,664,000	2,066,400	22	93,927	0.1%	0.1%
October	144,536,000	14,453,600	18	802,978	0.9%	1.0%
November	178,632,800	17,863,280	21	850,632	1.0%	1.1%
December	65,480,000	6,548,000	22	297,636	0.3%	0.4%

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Month/period	Total trading volume (No. of Shares)	Total trading volume (No. of Consolidated Shares)	No. of trading days	Average daily trading volume of Consolidated Shares	Percentage of average daily trading volume to the total number of Consolidated Shares in issue (Note 2)	Percentage of average daily trading volume to the total number of Consolidated Shares held by the Public Shareholders (Note 3)
<i>Year 2021</i>						
January	138,096,000	13,809,600	20	690,480	0.8%	0.9%
February	135,896,000	13,589,600	18	754,978	0.8%	1.0%
March	16,616,000	1,661,600	23	72,243	0.1%	0.1%
April	8,708,000	870,800	19	45,832	0.1%	0.1%
May	5,948,000	594,800	20	29,740	0.03%	0.04%
June (up to the Last Trading Day)	9,332,000	933,200	5	186,640	0.2%	0.2%

Source: Website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

*Notes:*

1. There are 888,400,000 Existing Shares in issue as at the date of this Circular while there will be 88,840,000 Consolidated Shares upon the Share Consolidation becoming effective.
2. Based on the average daily trading volume of Consolidated Shares divided by the total issued Consolidated Shares of the Company as at the Last Trading Day (i.e. 88,840,000 Consolidated Shares)
3. Based on the average daily trading volume of Consolidated Shares divided by the number of Consolidated Shares held by the Public Shareholders as at the Last Trading Day (i.e. 77,340,000 Consolidated Shares)

As shown in the table above, during the Review Period, except for the average daily trading volume in July 2020 that reached approximately 10.5% of the total number of Consolidated Shares in issue as at the Last Trading Day and approximately 12.1% of the number of Consolidated Shares held by the Public Shareholders as at the Last Trading Day which the Directors believe to be stimulated by the volatile share price during the month (i.e. the share price reached as high as HK\$1.78 per Consolidated Share and as low as HK\$0.22 per Consolidated Share during July 2020), the trading liquidity of the Consolidated Shares remains generally thin with the average daily trading volume ranging from approximately 0.03% to 1.0% of the total number of Consolidated Shares in issue as at the Last Trading Day. As a result, we consider that it is reasonable for the Subscription Price to be set at a discount to the prevailing adjusted closing prices of the Consolidated Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### D. Comparison with recent rights issue exercises

To assess the fairness and reasonableness of the terms of the Rights Issue, we have identified all rights issue announced by companies listed on the Stock Exchange (the “**Comparables**”) during the six-month period immediately before the Last Trading Day. We consider that the six-month period could reflect the most recent trend of rights issue transactions conducted by companies listed on the Stock Exchange under the recent market condition. To the best of our knowledge and endeavour and as far as we are aware of, we identified an exhaustive list of 28 transactions (excluding the outlier) which met the said criteria as at the Latest Practicable Date. We consider the sample size of the Comparables to be sufficient, fair and representative to reflect the most recent market condition prior to the Last Trading Day.

Shareholders should, however, note that the businesses, operations and prospect of the Company are not the same as the Comparables. Notwithstanding that, we consider that the terms of the Comparables were determined under similar market conditions and sentiment and hence, provide a general reference on the key terms for this type of transaction in Hong Kong. Therefore, we consider that the Comparables are indicative in assessing the fairness and reasonableness of the terms of the Rights Issue (including the Subscription Price). The following table sets forth the relevant details of the Comparables:

Date of announcement	Company name (Stock code)	Basis of entitlement	Premium/ (discount) of the subscription price over/to the average closing price per share for the five (5) consecutive trading days up to and including the last trading day			Premium/ (discount) of the subscription price over/to the average closing price per share for the ten (10) consecutive trading days up to and including the last trading day			Maximum dilution on shareholding
			Premium/ (discount) of the subscription price over/to the closing price per share on the last trading day (%)	Premium/ (discount) of the subscription price over/to the closing price per share on the last trading day (%)	Premium/ (discount) of the subscription price over/to the closing price per share on the last trading day (%)	Premium/ (discount) of the subscription price over/to the theoretical ex-rights price based on the closing price per share on the last trading day (%)	Underwriting commission (%)	Excess application	
03/12/2020	Capital Finance Holdings Limited (8239)	2 for 1	4.65	4.65	4.9	1.5	N/A	N	66.7
14/12/2020	Chinlink International Holdings Limited (997)	3 for 1	(13.64)	(15.74)	(16.21)	(4.58)	2.5	Y	75.0
22/12/2020	FDG Kinetic Limited (378) – outlier (Note)	9 for 1	(91.3)	(91.3)	(91.5)	(51.0)	N/A	N	90.0

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (Stock code)	Basis of entitlement	Premium/ (discount) of the subscription price over/to the average closing price per share for the five (5) consecutive trading days up to and including the last trading day (%)	Premium/ (discount) of the subscription price over/to the average closing price per share for the ten (10) consecutive trading days up to and including the last trading day (%)	Premium/ (discount) of the subscription price over/to the theoretical ex-rights price based on the closing price per share on the last trading day (%)	Underwriting commission (%)	Excess application	Maximum dilution on shareholding	
31/12/2020	Pacific Century Premium Developments Limited (432)	1 for 2	nil	(1.2)	(2.4)	nil	N/A	Y	33.3
06/01/2021	Sinolink Worldwide Holdings Limited (1168)	4 for 5	(42.86)	(45.21)	(45.04)	(31.37)	N/A	Y	44.5
20/01/2021	Roma Group Limited (8072)	3 for 1	(31.32)	(28.98)	(19.87)	(10.07)	2.5	Y	75.0
25/01/2021	Beaver Group (Holding) Company Limited (8275)	3 for 2	(34.38)	(31.82)	N/A	(17.32)	N/A	N	60.0
27/01/2021	Cornerstone Financial Holdings Limited (8112)	4 for 1	(21.11)	(25.26)	(27.66)	(5.33)	3.0	Y	80.0
27/01/2021	Esprit Holdings Limited (330)	1 for 2	(25.00)	(26.04)	N/A	(18.21)	1.625	Y	33.3
05/02/2021	Bossini International Holdings Limited (592)	1 for 2	(23.40)	(25.62)	(28.14)	(16.86)	N/A	Y	33.3
17/02/2021	China LotSynergy Holdings Limited (1371)	2 for 1	(30.07)	(32.89)	(40.12)	(15.97)	N/A	Y	66.7
19/02/2021	Enterprise Development Holdings Limited (1808)	1 for 2	(49.15)	(42.2)	(34.68)	(39.09)	1.0	Y	33.3
17/03/2021	Qingdao Holdings International Limited (499)	1 for 1	(18.8)	(8.9)	(5.6)	(10.3)	4.5	Y	50.0



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (Stock code)	Basis of entitlement	Premium/ (discount) of the subscription price over/to the average closing price per share for the five (5) consecutive trading days up to and including the last trading day (%)	Premium/ (discount) of the subscription price over/to the average closing price per share for the ten (10) consecutive trading days up to and including the last trading day (%)	Premium/ (discount) of the subscription price over/to the theoretical ex-rights price based on the closing price per share on the last trading day (%)	Underwriting commission (%)	Excess application	Maximum dilution on shareholding	
24/03/2021	Noble Engineering Group Holdings Limited (8445)	1 for 2	(33.8)	(35.8)	(38.6)	(25.3)	N/A	N	33.3
26/03/2021	Kaisa Group Holdings Limited (1638)	1 for 7	(25.13)	(27.52)	(27.68)	(22.70)	2.5	Y	12.5
29/03/2021	China Demeter Financial Investments Limited (8120)	3 for 1	(17.36)	(20.38)	(22.3)	(6.02)	N/A	N	75.0
08/04/2021	State Energy Group International Assets Holdings Limited (918)	3 for 1	(22.2)	(24.2)	(27.3)	(7.4)	1.0	N	75.0
09/04/2021	Golden Power Group Holdings Limited (3919)	1 for 2	(21.4)	(20.7)	(19.6)	(15.4)	7.07	Y	33.3
12/04/2021	Merdeka Financial Group Limited (8163)	5 for 2	(21.05)	(22.68)	(27.54)	(6.83)	2.0	Y	71.4
23/04/2021	PFC Device Inc. (8231)	1 for 2	(20.00)	(23.37)	(23.37)	(14.29)	N/A	Y	33.3
28/04/2021	Sandmartin International Holdings Limited (482)	1 for 2	(16.00)	(16)	(14.81)	(11.21)	N/A	N	33.3
04/05/2021	China Investment Development Limited (204)	1 for 2	(10.31)	(11.03)	(13.76)	(6.98)	2.5	Y	33.3

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (Stock code)	Basis of entitlement	Premium/ (discount)	Premium/ (discount)	Premium/ (discount)	Premium/ (discount)	Underwriting commission (%)	Excess application	Maximum dilution on shareholding
			of the subscription price over/to the average closing price per share for the five (5) consecutive trading days up to and including the last trading day (%)	of the subscription price over/to the average closing price per share for the ten (10) consecutive trading days up to and including the last trading day (%)	of the subscription price over/to the average closing price per share for the theoretical ex-rights price based on the closing price per share on the last trading day (%)				
04/05/2021	Coolpad Group Limited (2369)	1 for 2	(41.1)	(41.2)	(41.9)	(31.7)	2.5	Y	33.3
11/05/2021	Great Wall Belt & Road Holdings Limited (524)	1 for 4	(18.9)	(23.5)	(25.1)	(15.7)	N/A	Y	20.0
11/05/2021	China Best Group Holding Limited (370)	1 for 2	(45.21)	(46.95)	(46.09)	(37.89)	N/A	N	33.3
13/05/2021	Ta Yang Group Holdings Limited (1991)	1 for 2	(22.22)	(21.08)	(20.23)	(16.02)	N/A	Y	33.3
18/05/2021	Champion Technology Holdings Limited (92)	3 for 1	8.70	6.38	7.53	2.04	2.5	Y	75.0
20/05/2021	China Internet Investment Finance Holdings Limited (810)	1 for 2	(51.22)	(53.05)	(55.7)	(41.18)	2.5	Y	33.3
01/06/2021	Vision Fame International Holding Limited (1315)	1 for 4	(60.78)	(60.47)	(61.83)	(55.36)	N/A	N	20.0
	Maximum		8.70	6.38	7.53	2.04	7.07		80.0
	Minimum		(60.78)	(60.47)	(61.83)	(55.36)	1.0		12.5
	Average		(25.11)	(25.7)	(25.89)	(17.13)	2.7		46.42
07/06/2021	The Company	3 for 1	(27.03)	(27.03)	(27.61)	(8.47)	1.50	Y	75.0

Source: Website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Note:

With reference to the circular of FDG Kinetic Limited dated 10 February 2021, the rights issue formed part of its rescue proposal. Since FDG Kinetic Limited was facing winding up petition and receivership over all of its assets at the time of conducting the rights issue exercise, the board of the company decided to set the subscription price at substantial discount to the market price of the shares in order to attract shareholders and potential investors to participate in the rights issue for the rescue of the company. In light of the above, we consider the exceptionally deep discount set by FDG Kinetic Limited on the subscription price to be an outlier to other comparable transactions and therefore exclude this sample from our analysis.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown in the table above, the subscription price of the Comparables ranged from a premium of approximately 8.70% to a discount of approximately 60.78%, with an average discount of approximately 25.11% over/to their respective closing prices per share on the last trading day. The discount of 27.03% of the Company's Subscription Price of HK\$0.27 per Rights Share to the theoretical closing price of HK\$0.370 per Consolidated Share on the Last Trading Day falls within the range and is slightly higher than the average discount of that of the Comparables.

The subscription price of the Comparables ranged from a premium of approximately 6.38% to a discount of approximately 60.47%, with an average discount of approximately 25.7% over/to their respective average closing price per share for the five (5) consecutive trading days up to and including the last trading day. The discount of 27.03% of the Company's Subscription Price of HK\$0.27 per Rights Share to the theoretical average closing price of HK\$0.370 per Consolidated Share for the five (5) consecutive trading days up to and including the Last Trading Day falls within the range and is slightly higher than the average discount of that of the Comparables.

The subscription price of the Comparables ranged from a premium of approximately 7.53% to a discount of approximately 61.83%, with an average discount of approximately 25.89% over/to their respective average closing price per share for the ten (10) consecutive trading days up to and including the last trading day. The discount of 27.61% of the Company's Subscription Price of HK\$0.27 per Rights Share to the theoretical average closing price of HK\$0.373 per Consolidated Share for the ten (10) consecutive trading days up to and including the Last Trading Day falls within the range and is slightly higher than the average discount of that of the Comparables.

The subscription price of the Comparables ranged from a premium of approximately 2.04% to a discount of approximately 55.36%, with an average discount of approximately 17.13% over/to their respective theoretical ex-rights prices based on the closing prices per share on the last trading day. The discount of 8.47% of the Company's Subscription Price of HK\$0.27 per Rights Share to the theoretical ex-rights price of approximately HK\$0.295 per Consolidated Share on the Last Trading Day falls within the range and is better than the average discount of that of the Comparables.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We note that it is a common market practice to set the subscription price at a discount to the prevailing market prices of the relevant shares where 25 out of 28 Comparables set their subscription price at discount to their respective closing prices and theoretical ex-rights prices. Despite the discount of the Company's Subscription Price to some of the benchmarking prices discussed above are slightly higher than the average discount of those of the Comparables, having considered that (i) the recent general downward trend of the adjusted closing price of the Consolidated Shares as discussed in the section headed "B. Adjusted historical price of the Consolidated Shares" above; (ii) the trading volume of the Consolidated Shares during the Review Period was generally thin as discussed in the section headed "C. Historical trading volume of the Consolidated Shares" above; (iii) the discount of Subscription Price falls within the range of that of the Comparables; and (iv) the discount of Subscription Price could enhance the attractiveness of the Rights Issue for encouraging Qualifying Shareholders to participate in the Rights Issue, we are of the view that the Subscription Price is on normal commercial term and is fair and reasonable so far as the Independent Shareholders are concerned.

### *Underwriting commission*

According to the Letter from the Board, 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 Underwriter is a licensed corporation under the SFO and the controlling shareholders of which is an Independent Third Party. As shown in the table above, underwriting commission charged by underwriters of the Comparables ranged from 1% to 7.07%, with an average of 2.7%. Accordingly, we consider that the underwriting commission of 1.50% borne by the Company in the Rights Issue is in line with market practice.

### *Right of excess applications*

With reference to the Letter from the Board, 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.

Among the Comparables, 20 out of 28 of the Comparables allow application for excess rights shares. In addition, we note that the Company's allocation arrangement of excess application of the Rights Issue, which includes allocating the excess Rights Shares on a pro-rata basis and no preference will be given to topping up odd-lot holdings to whole-lot holdings are in line with the market practice.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Possible dilution effect on the shareholding interests of the existing Public Shareholders*

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 to participate in the future development of the Company should they wish to do so. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and the Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and their aggregate shareholding interests in the Company may be reduced by a maximum of approximately 75.0%.

As shown in the table above, the maximum dilution of shareholding of the Comparable ranged from approximately 12.5% to 80.0%, with an average of 46.42%. The maximum dilution effect of the Rights Issue of 75.0% falls within range of the Comparables and is above the average maximum dilution effect of the Comparables.

We are aware of the potential maximum dilution effect as a result of the Rights Issue. However, after taking into consideration that (i) the maximum dilution effect of the Rights Issue falls within range of the maximum dilution effect of the Comparables; (ii) the proceeds from Rights Issue would be applied to improve debt position and gearing ratio of the Group by repayment of the Promissory Note; (iii) the Rights Issue would strengthen the capital structure and financial position of the Group; (iv) all Qualifying Shareholders are offered an equal opportunity to maintain their shareholding interests in the Company and allowed to participate in the development of the Company; (v) the inherent dilutive nature of rights issues in general if the existing shareholders do not take up their entitlements thereunder in full; and (vi) Qualifying Shareholders who are not taking up their entitlements are given the flexibility to dispose of the nil-paid Rights Shares in open market, we consider that the potential dilution effect of the Rights Issue is justifiable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4. Financial Impact of the Rights Issue

#### (a) *Net tangible assets*

Based on the unaudited pro forma financial information of the Group set out in Appendix II to this Circular, the unaudited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2020 was approximately HK\$14.8 million. Upon completion of the Rights Issue, the Group will improve from a net liabilities position to a net assets position with the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company being approximately HK\$54.6 million.

#### (b) *Liquidity*

As part of the net proceeds of approximately HK\$17.03 million from the Rights Issue will be used as the general working capital of the Group, the working capital position of the Group would be improved upon completion of the Rights Issue.

#### (c) *Gearing ratio*

The gearing ratio (as measured by total interest-bearing debts divided by total assets) of the Group as at 31 March 2021 was approximately 75.6%. If part of the net proceeds of approximately HK\$52.43 million from the Rights Issue were applied to repay the Promissory Note, total debt of the Group would be reduced whilst the capital base of the Group would be enlarged accordingly. As such, the Group's gearing ratio would decrease immediately after the Rights Issue.

After taking into consideration of the above, in particular, the improvement in liquidity position and the reduction in gearing ratio of the Group, we are of the view that the Rights Issue is in the interest of the Company and the Shareholders as a whole.

### RECOMMENDATION

Having considered the principal factors and reasons discussed above, including (i) the Company is in need of funding to trim down its debt level to relieve financial burden; (ii) the Subscription Price set at a discount would attract the Shareholders to participate in the Rights Issue and accordingly maintain their shareholding interests in the Company; (iii) the dilution effect is not prejudicial to the Shareholders' interests in the Company if they choose to subscribe for their full entitlement of the Rights Shares under the Rights Issue; (iv) Qualifying Shareholders who do not intend to accept the Rights Shares provisionally allotted to them can dispose of their nil-paid Rights Shares in open market; and (v) the positive potential financial effects of the Rights Issue on the Group, including

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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the expected improvement in the liquidity position of the Group, we consider that the terms of the Rights Issue are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders and we recommend the Independent Shareholders to vote in favour of the relevant resolutions to approve the Rights Issue at the EGM.

Yours faithfully,  
For and on behalf of  
**FDB Financial Group Limited**  
**Wallace Cheung**  
*Executive Director*

*Note:* Mr. Wallace Cheung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of FDB Financial Group Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 10 years of experience in the corporate finance industry.

**1. FINANCIAL SUMMARY OF THE GROUP**

Details of the unaudited consolidated financial statements of the Group for the three months ended 31 March 2021 and the audited consolidated financial statements of the Group for the years ended 31 December 2018, 2019 and 2020 are disclosed in the following documents which have been published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company (<http://www.al-grp.com/>):

- (i) The unaudited financial information of the Group for the three months ended 31 March 2021 is disclosed in the first quarterly report of the Company for the three months ended 31 March 2021 published on 14 May 2021, from pages 8 to 12:

<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0514/2021051401603.pdf>

- (ii) The audited financial information of the Group for the year ended 31 December 2020 is disclosed in the annual report of the Company for the year ended 31 December 2020 published on 31 March 2021, from pages 52 to 143:

<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0331/2021033100257.pdf>

- (iii) The audited financial information of the Group for the year ended 31 December 2019 is disclosed in the annual report of the Company for the year ended 31 December 2019 published on 29 March 2020 from pages 50 to 135:

<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0329/2020032900063.pdf>

- (iv) The audited financial information of the Group for the year ended 31 December 2018 is disclosed in the annual report of the Company for the year ended 31 December 2018 published on 25 March 2019, from pages 50 to 135:

<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0325/gln20190325009.pdf>



## 2. INDEBTEDNESS STATEMENT

As at the close of business on 31 May 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the publication of the Circular, the Group had the following outstanding indebtedness:

### (a) Bank loans, and overdrafts, debt securities and other borrowings

- (i) unsecured promissory note payable with the principal amount of approximately HK\$46.2 million, which bear interest at 8% per annum, and is due for repayment on 19 June 2022, and the outstanding balance of payable to holder of the promissory note payable amounted to approximately HK\$52.4 million as at 31 May 2021;
- (ii) borrowing with the principal amount of HK\$7.0 million, which carries interest at 12% per annum and is secured by personal guarantee given by a director of a subsidiary of the Company, and is due for repayment on 31 December 2021, and the outstanding balance of payable to the borrower amounted to approximately HK\$8.7 million as at 31 May 2021;
- (iii) unsecured borrowings with the aggregate principal amount of HK\$9.2 million, which carry interest at 12% per annum and are due for repayment on 31 December 2021, and the outstanding balance of payable to the borrowers amounted to approximately HK\$11.4 million as at 31 May 2021; and
- (iv) amount due to a shareholder of a subsidiary of HK\$5.6 million outstanding at 31 May 2021, which is unsecured, non-interest bearing and repayable on demand.

### (b) Lease payables

- (i) The Group leased certain premises for office purpose. As at 31 May 2021, the Group have outstanding payment for these lease payables amounted to HK\$2.5 million.

**(c) Contingent liabilities**

- (i) The Group had given counter indemnities to an insurance company for a surety bond issued in favour of a customer of the Group by the insurance company amounted to HK\$1,960,000, which remained outstanding as at 31 May 2021.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any bank loans, bank overdrafts and liabilities under acceptance (other than normal trade bills) or other similar indebtedness, debenture or other loan capital, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 31 May 2021.

**3. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account (i) the Group's internal resources and cash flows from its operations; and (ii) estimated proceeds from the Rights Issue, the Group will have sufficient working capital to satisfy its present requirements, that is, for at least twelve months following the date of this circular.

The Company has obtained the relevant confirmation as required under paragraph 30 of Appendix 1, Part B of the GEM Listing Rules.

**4. MATERIAL ADVERSE CHANGE**

References are made to the profit warning announcement of the Company dated 10 May 2021 and the 2021 First Quarterly Report in which announced that the Group recorded a loss attributable to owners of the Company of approximately HK\$5.9 million for the three months ended 31 March 2021 when compared to a loss attributable to owners of the Company of approximately HK\$3.9 million for the three months ended 31 March 2020 due to weak business environment caused by the outbreak of COVID-19, increase in operating expenses and increase in financial cost.

Save as disclosed in the publication above, the Directors were not aware of any material adverse change in the financial or trading position since 31 December 2020 (being the date to which the latest published audited financial statements of the Group were made up) up to and including the Latest Practicable Date.

## 5. FINANCIAL AND TRADING PROSPECT

The Company is an investment holding company and the Group is principally engaged in the provision of interior design and fit out solutions as well as overall project management in Hong Kong.

According to the 2020 Annual Report, for the year ended 31 December 2020 (“FY2020”), total revenue of the Group amounted to approximately HK\$67.1 million, which represented a decrease of approximately 53.0% over the year ended 31 December 2019 (“FY2019”). The gross profit of the Group for FY2020 amounted to approximately HK\$15.1 million, representing a decrease of approximately 16.8% over FY2019. Gross profit margin in FY2020 increased from approximately 12.7% in FY2019 to approximately 22.6%. The Group recorded a loss attributable to owners of the Company of approximately HK\$38.0 million for the FY2020, representing a decrease of approximately 32.6% over FY2019. Besides the effects of the decreased revenue and decreased operating expenses, the loss for FY2020 was primarily attributable to decrease in impairment loss on interests in associates, decrease in impairment loss on goodwill and increase in finance cost due to an increase in the interest rate of the promissory note by the Group in FY2020 and increase in borrowings.

In 2020, the global economic environment encountered full of challenges and uncertainties, which impacted the overall business conditions and increased volatility in the financial and housing market in Hong Kong. In view of the keen competition in the market, the Group will explore the opportunities for new line of business and expand the core business into different markets, and will continue to leverage on its competitive advantages to strengthen the market position, improve the quality of the services and enhance the overall operational performance. The Group will continue to seek for opportunities to sustain the growth and strengthen the corporate reputation to create more long-term values to the Shareholders. In future, the Group continues to be awarded projects by existing and new customers who valued the Group’s reputation, proven track record and experience in the industry. The Directors believe that the number of projects in the pipeline that were built up since 2019 will come online and contribute to the total revenue in 2021 and beyond.

### 1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared in accordance with paragraph 7.31 of the GEM Listing Rules and is set out to illustrate the effect of the Rights Issue on the audited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2020 as if the Rights Issue had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group have been prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the audited consolidated net tangible assets/liabilities of the Group had the Rights Issue been completed as at 31 December 2020 or at any future date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group are prepared based on the audited consolidated net liabilities of the Group attributable to owners of the Company as at 31 December 2020 derived from the audited consolidated statement of the financial position of the Group as at 31 December 2020, as set out in the annual report of the Company for the year ended 31 December 2020, and adjusted as described below:

	Adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company before completion of the Rights Issue <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the Rights Issue <i>HK\$'000</i> <i>(Note 3)</i>
Based on 266,520,000 Rights Shares to be issued at the subscription price of HK\$0.27 each	(14,820)	69,460	54,640

HK\$ per Share

Audited consolidated net tangible liabilities at 31 December 2020 attributable to owners of the Company per Share ( <i>Note 4</i> )	(0.18)
Adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company before completion of the Rights Issue per Share ( <i>Note 5</i> )	(0.17)
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share immediately after completion of the Rights Issue ( <i>Note 6</i> )	0.15

*Notes:*

- The adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company of HK\$14,820,000 is based on the audited consolidated net liabilities which represents the equity attributable to owners of the Company as at 31 December 2020, as derived from the Group's statement of financial position as at that date contained in the Group's published audited consolidated financial statements for the year ended 31 December 2020, and is adjusted as follows:

	<i>HK\$'000</i>
Audited consolidated net liabilities of the Group attributable to owners of the Company as at 31 December 2020	(14,393)
Less: goodwill ( <i>Note (a)</i> )	<u>1,115</u>
Consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2020	(15,508)
Proceeds from exercise of the Share Options subsequent to 31 December 2020 up to the Latest Practicable Date ( <i>Note (b)</i> )	688
Proceeds from exercise of the Outstanding Share Options ( <i>Note (b)</i> )	<u>–</u>
Adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company before completion of the Rights Issue	<u><u>(14,820)</u></u>

*Notes*

- The goodwill of the Group of HK\$1,115,000 at 31 December 2020 is derived from the consolidated statement of financial position of the Group as at that date contained in the Group's published audited consolidated financial statements for the year ended 31 December 2020.
- The proceeds from exercise of the Share Options of approximately HK\$688,000 are calculated based on 16,000,000 shares under the Share Option Scheme of the Company issued at the exercise price of HK\$0.043 per share subsequent to 31 December 2020 up to the Latest Practicable Date.

Pursuant to the Option Holder's Undertaking, the holder of the Outstanding Share Options (representing 8,000,000 outstanding share options granted under the Share Option Scheme) have agreed not to exercise these share options granted to him/her on or before the Record Date.

2. The estimated net proceeds from the Rights Issue of approximately HK\$69,460,000 are based on 266,520,000 Rights Shares to be issued, assuming no Outstanding Share Options have been exercised prior to the Record Date, after deduction of the estimated related expenses of approximately HK\$2,500,000.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the Rights Issue of approximately HK\$54,640,000 represents the aggregate of the adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company before completion of the Rights Issue of HK\$14,820,000 (Note 1) and the proceeds from the Rights Issue as set out in Note 2.
4. The calculation of the audited consolidated net tangible liabilities of the Group at 31 December 2020 attributable to owners of the Company per Share is based on the audited consolidated net tangible liabilities of the Group attributable to owners of the Company at 31 December 2020 of approximately HK\$15,508,000 as set out in Note 1 above and 87,240,000 Shares in issue at 31 December 2020, on the assumption that the proposed share consolidation of every ten issued and unissued Shares of HK\$0.01 each into one consolidated share of HK\$0.1 each had become effective as at that date.
5. The calculation of the adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company before completion of the Rights Issue per Share is based on the adjusted consolidated net tangible liabilities of HK\$14,820,000 as set out in Note 1 above and 88,840,000 Shares in issue at the Latest Practicable Date, assuming that proposed share consolidation of every ten issued and unissued shares of HK\$0.01 each into one consolidated share HK\$0.1 each had become effective as at that date.
6. The calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue per Share is based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue of approximately HK\$54,640,000 as set out in Note 3 above, and 355,360,000 Shares in issue and to be issued, which represent:
  - (i) 88,840,000 shares in issue at the Latest Practicable Date (assuming that proposed share consolidation of every ten issued and unissued shares of HK\$0.01 each into one consolidated share HK\$0.1 each had become effective); and
  - (ii) 266,520,000 Rights Shares to be issued, assuming no Outstanding Share Options had been exercised prior to the Record Date.
7. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2020.

## 2. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION



### To the Directors of AL Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of AL Group Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company, and related notes as set out on pages II-1 to II-3 of Appendix II of the circular issued by the Company dated 23 July 2021 (the “**Circular**”) in connection with the proposed rights issue on the basis of three rights shares for every one consolidated share held (the “**Rights Issue**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-3 of Appendix II to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Rights Issue on the Group’s consolidated net tangible liabilities as at 31 December 2020 as if the Rights Issue had taken place on 31 December 2020. As part of this process, information about the Group’s financial position has been extracted by the Directors from the annual report of the Company for the year ended 31 December 2020, on which audit report has been published.

### Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant’s Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the Directors have complied the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.



The purpose of the unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

**CCTH CPA Limited**

*Certified Public Accountants*

Hong Kong

23 July 2021

**Lee Chi Hang**

Practising certificate number P01957

**1. RESPONSIBILITY STATEMENT**

This circular, 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 regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

**2. SHARE CAPITAL**

The authorised and issued share capital in the Company as at the Latest Practicable Date and immediately following the allotment and issue of the Rights Shares will be as follows:

- i. As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:**

*Authorised:* HK\$

10,000,000,000	Existing Shares of HK\$0.01 each	100,000,000.00
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*Issued and paid-up share capital:*

888,400,000	Existing Shares of HK\$0.01 each	8,884,000.00
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- ii. The following table illustrates the share capital structure of the Company immediately following the Share Consolidation becoming effective (assuming no further issue or repurchase of the new Existing Shares or Consolidated Shares from the Latest Practicable Date to the Share Consolidation having become effective):**

*Authorised:* HK\$

1,000,000,000	Consolidated Shares of HK\$0.10 each	100,000,000.00
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*Issued and paid-up share capital:*

88,840,000	Consolidated Shares of HK\$0.10 each	8,884,000.00
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- iii. The following table illustrates the share capital structure of the Company immediately after the Share Consolidation becoming effective and the completion of the Rights Issue (assuming no further issue or repurchase of the new Existing Shares or Consolidated Shares from the Latest Practicable Date to completion of the Rights Issue):

<i>Authorised:</i>		<i>HK\$</i>
1,000,000,000	Consolidated Shares of HK\$0.10 each	100,000,000.00
 <i>Issued and paid-up share capital:</i>		
88,840,000	Consolidated Shares immediately following the Shares Consolidation having become effective	8,884,000.00
266,520,000	Rights Shares to be allotted and issued upon completion of the Rights Issue	26,652,000.00
<b>355,360,000</b>	<b>Consolidated Shares in issue immediately upon completion of the Rights Issue</b>	<b>35,536,000.00</b>

All of the Consolidated Shares and the Rights Shares when allotted, issued and fully paid, will rank *pari passu* in all respect with each other, including, in particular, as to dividends, voting rights and capital, and with all the Consolidated Shares in issue as at the date of allotment and issue of the Rights Shares.

The Consolidated Shares and the Rights Shares to be issued will be listed on the Stock Exchange. None of the securities of the Company is listed, or dealt in, on any other exchange, nor is any listing of or permission to deal in the securities of the Company being, or proposed to be, sought on any other stock exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Existing Shares or the Consolidated Shares and the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

### The Share Option Scheme

As at the Latest Practicable Date, the Company had Outstanding Share Options granted under the Share Option Scheme carrying rights for the holders thereof to subscribe for an aggregate of 8,000,000 Existing Shares, details of which are set out below:

Date of grant	Exercise period	Exercise price	Number of underlying Existing Shares
9 October 2020	9 October 2020 to 8 October 2030	HK\$0.043	8,000,000

Save for the Outstanding Share Options, the Company had no other outstanding warrants, options or convertible securities in issue or other similar rights which confer any right to convert into or subscribe for the Existing Shares and there was no share or loan capital of any member of the Group which was under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

### 3. DISCLOSURE OF INTERESTS

#### a) Directors' and chief executive's interests and short positions in shares and underlying shares

As at the Latest Practicable Date, none of the Directors or chief executives of the Company have interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required, pursuant to rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

**b) Substantial Shareholder's Interests and/or Short Position in Shares and Underlying Shares of the Company**

As at the Latest Practicable Date, the following persons (not being Directors and chief executive of the Company) had an interest or short position in the Shares, underlying shares or debentures of the Company as recorded in the register required to be maintained under section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

*Long position in the Existing Shares and underlying Existing Shares*

<b>Name</b>	<b>Capacity</b>	<b>Number of Shares held</b>	<b>Approximate percentage of interest</b>
Climb Up Limited ("Climb Up") (note)	Beneficial owner	115,000,000	12.94%
Mr. Wong Yu Ki Andy (note)	Interest in a controlled corporation	115,000,000	12.94%
Mr. Lam Lesile (note)	Interest in a controlled corporation	115,000,000	12.94%

*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 and as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any parties (other than a Director or the chief executive of the Company) in the Shares or underlying Shares, which were required (a) to be disclosed under Divisions 2 and 3 of Part XV of the SFO or (b) to be recorded in the register of the Company required to be kept under section 336 of the SFO.

**4. DIRECTORS' INTEREST IN ASSETS, CONTRACTS AND ARRANGEMENT OF THE GROUP**

As at the Latest Practicable Date:

- (i) none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2020 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (ii) none of the Directors was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group.

**5. DIRECTORS' INTERESTS IN COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors, the Controlling Shareholders or their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

**6. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the Company or any member of the Group within one year without payment of compensation (other than statutory compensation)).

**7. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

## 8. EXPERTS AND CONSENTS

The following sets out the qualifications of the experts who have given opinions, letters or advices included in this circular:

<b>Name</b>	<b>Qualifications</b>
FDB Financial Group Limited	A licensed corporation to carry out Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities as defined under the SFO
CCTH CPA Limited	Certified Public Accountants

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with copies of its letter and/or reports and the references to its name included in this circular in the forms and contexts in which they are respectively included. Each of the above experts confirmed that as at the Latest Practicable Date:

- (i) it did not have any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and
- (ii) it was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up.

## 9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (i) the conditional sale and purchase agreement dated 29 April 2020 entered into between Fasty Aim Limited, a direct wholly-owned subsidiary of the Company (as purchaser) and Ms. To Kit Yan Yuki (as vendor) in relation to the acquisition of the entire issued share capital of YTO Limited by Fasty Aim Limited at the consideration of HK\$4,480,000 which shall be satisfied by the allotment and issue of the consideration Shares of upon completion of the acquisition. Further details please refer to the announcement of the Company dated 29 April 2020;



- (ii) the placing agreement dated 17 August 2020 entered into between the Company and the All Evergreen Securities Limited in relation to the placing of up to 141,400,000 new shares under general mandate at the placing price of HK\$0.037 per placing Share. The placing commission in respect of the aforesaid placing is 1%, the gross proceeds and net proceeds from the aforesaid placing is HK\$5,232,000 and approximately HK\$5,159,000, respectively. Further details please refer to the announcements of the Company dated 17 August 2020 and 4 September 2020.
- (iii) the unconditional sale and purchase agreement dated 18 December 2020 entered into between Sunny Stage Limited, a direct wholly-owned subsidiary of the Company (as vendor) and Mr. Wong Shing (as purchaser) in relation to the disposal of 49% issued share capital of Primo Group (BVI) Limited by Sunny Stage Limited at the consideration of HK\$4,600,000 which shall be settled in cash upon completion of the disposal. Further details please refer to the announcement of the Company dated 18 December 2020; and
- (iv) the Underwriting Agreement (as amended and supplemented by the extension letter dated 5 July 2021).

#### 10. CORPORATE INFORMATION AND PARTIES TO THE RIGHTS ISSUE

<b>Registered office</b>	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Head office and principal place of business in Hong Kong</b>	Suite 807, 8/F, Harcourt House, 39 Gloucester Road, Wan Chai, Hong Kong
<b>Company secretary</b>	Mr. Leung Louis Ho Ming
<b>Compliance officer</b>	Mr. Kwan Tek Sian
<b>Authorised representatives</b>	Mr. Kwan Tek Sian Mr. Leung Louis Ho Ming

<b>Principal share registrar and transfer office in the Cayman Islands</b>	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
<b>Branch share registrar and transfer office in Hong Kong</b>	Tricor Investor Services Limited Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
<b>Principal bankers</b>	Bank of Communications (Hong Kong) Limited G/F., Chai Wan Cinema Building, 121 – 121A Wan Tsui Road, Chaiwan, Hong Kong  Shanghai Commercial Bank Limited Shop LG16, C.C. Wu Building, 302 Hennessy Road, Wan Chai, Hong Kong  The Bank of East Asia, Limited 10 Dex Voeux Road Central, Central, Hong Kong  Wing Lung Bank Limited 4 Carnarvon Road, Tsim Sha Tsui, Kowloon, Hong Kong
<b>Reporting accountants</b>	CCTH CPA Limited Unit 1510–17, 15/F, Tower 2, Kowloon Commerce Centre, No. 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong
<b>Legal advisers to the Company in relation to the Rights Issue</b>	<i>As to Hong Kong law</i> Michael Li & Co. 19th Floor Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong

<b>Financial adviser to the Company</b>	Merdeka Corporate Finance Limited Room 1108, 11/F, Wing On Centre, 111 Connaught Road Central, Central, Hong Kong
<b>Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders</b>	FDB Financial Group Limited Room 1801-02, 18/F, Alliance Building, Nos.130-136 Connaught Road Central, Sheung Wan, Hong Kong
<b>Underwriter</b>	Space Securities Limited Unit 7, 11th Floor, Emperor Group Centre, 288 Hennessy Road, Wan Chai, Hong Kong

## 11. EXPENSES

The expenses in connection with the proposed Share Consolidation, the Rights Issue and the transactions contemplated respectively thereunder, including underwriting commission, financial advisory fees, legal fee, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$2.50 million, which are payable by the Company.

## 12. DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

<b>Name</b>	<b>Correspondence address</b>
<b>Executive Directors</b>	
Mr. Lam Chung Ho, Alastair	Suite 807, 8/F, Harcourt House, 39 Gloucester Road, Wan Chai, Hong Kong
Mr. Kwan Tek Sian	Suite 807, 8/F, Harcourt House, 39 Gloucester Road, Wan Chai, Hong Kong

Name	Correspondence address
<b>Independent Non-executive Directors</b>	
Mr. Tse Chi Shing	Suite 807, 8/F, Harcourt House, 39 Gloucester Road, Wan Chai, Hong Kong
Mr. Tse Wai Hei	Suite 807, 8/F, Harcourt House, 39 Gloucester Road, Wan Chai, Hong Kong
Mr. Tam Chak Chi	Suite 807, 8/F, Harcourt House, 39 Gloucester Road, Wan Chai, Hong Kong

**Executive Directors**

**Mr. Lam Chung Ho, Alastair (“Mr. Lam”)**, aged 43, was appointed as the chairman of the Board and an executive Director on 12 July 2017. He is the chairman of nomination committee.

Mr. Lam has been the executive director of State Path Capital Limited since 2016 and director of Bionic Vision Technologies Pty Limited since 2017 of which Mr. Kwan Tek Sian, an executive Director of the Company is a director and an investor.

Mr. Lam started his career in his family business between 2002 and 2006 at Qualipak Manufacturing Limited, a then wholly-owned subsidiary of Qualipak International Holdings Limited, a company listed on the Stock Exchange (stock code: 1332). Mr. Lam was the founder of Synergy Group Holdings International Limited, a company listed on the Stock Exchange (stock code: 1539), where he served as a non-executive director between 14 December 2011 and 19 December 2016.

Mr. Lam graduated from the University of Wisconsin-Madison, Wisconsin, United States with a Bachelor’s degree in Accounting and Business Administration in August 2001.

**Mr. Kwan Tek Sian (“Mr. Kwan”)**, aged 45, was appointed as the chief executive officer (“CEO”) and an executive Director on 4 February 2020. He is a member of remuneration committee.

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

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

Mr. Kwan is a director and an investor of Bionic Vision Technologies Pty. Limited, a privately held Australian based company. Mr. Lam Chung Ho, Alastair, the chairman of the Board and an executive Director of the Company, is also a director of Bionic Vision Technologies Pty. Limited, which develops visual prostheses to restore vision of the blind. Mr. Kwan owns the shares of Bionic Vision Technologies Pty. Limited through State Path Capital Limited, a joint venture company involved in investing in technology companies.

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

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

#### **Independent Non-executive Directors**

**Mr. Tse Chi Shing (“Mr. Tse”)**, aged 37, was appointed an independent non-executive Director of the Company on 12 January 2017. He is the chairman of the remuneration committee and the audit committee and a member of the nomination committee.

Mr. Tse has over 12 years of experience in accounting and auditing. He is currently the chief financial officer and company secretary of KOALA Financial Group Limited (“KOALA”), a company listed on the GEM (stock code: 8226), where he is responsible for financial planning, financial control and accounting operations and also manages a full spectrum of company secretarial work for KOALA. Prior to joining to KOALA, Mr. Tse was with the audit firms of Mazars CPA Limited, HLB Hodgson Impey Cheng, and Choy Ng and Co. CPA.

Mr. Tse received a bachelor of arts degree (with honours) in accounting from the Hong Kong Polytechnic University in July 2006. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2011.

**Mr. Tse Wai Hei (“Mr. Tse W.H.”)**, aged 50, was appointed as an independent non-executive Director of the Company on 30 November 2017. He is a member of audit committee and remuneration committee.

Mr. Tse W.H. has 32 years of experience specializing in mechanical engineering, publishing and printing services. In 2008, Mr. Tse W.H. joined Komori Hong Kong Limited, a Japanese based corporation principally engaged in manufacturing printing machines as a manager of the technical service department where over a period of 12 years.

**Mr. Tam Chak Chi (“Mr. Tam”)**, aged 44, was appointed as an independent non-executive Director of the Company on 28 September 2018. He is a member of audit committee and nomination committee.

Mr. Tam has more than 20 years of experience in providing accounting, auditing and financial services and has served various senior positions at various private and listed companies. He is currently an executive director of My Heart Bodibra Group Limited, a company listed on the GEM (stock code: 8297) an independent non-executive director of Wealth Glory Holdings Limited, a company listed on the GEM (stock code: 8269), and an independent non-executive director of Hong Kong Finance Investment Holding Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0007), and a financial consultant of various private companies.

Mr. Tam holds a bachelor’s degree of commerce from the University of Toronto. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong and a member of the American Institute of Certified Public Accountants.

### 13. GENERAL

- (i) The English text of this circular shall prevail over the Chinese text in case of inconsistency.
- (ii) The company secretary of the Company is Mr. Leung Louis Ho Ming, who is a member of Hong Kong Institute of Certified Public Accountant.
- (iii) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (iv) The principal place of business of the Company in Hong Kong is at Suite 807, 8/F, Harcourt House, 39 Gloucester Road, Wan Chai, Hong Kong.

- (v) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (vi) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside of Hong Kong. As at the Latest Practicable Date, the Group has no exposure to foreign exchange liabilities.

#### 14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the Company's head office and principal place of business at Suite 807, 8/F, Harcourt House, 39 Gloucester Road, Wan Chai, Hong Kong for a period of 14 days from the date of this circular:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for each of the three years ended 31 December 2018, 2019 and 2020;
- (iii) the first quarterly report of the Company for the three months ended 31 March 2021;
- (iv) the letter from the Independent Board Committee, the text of which is set out from pages IBC-1 to IBC-2 of this circular;
- (v) the letter from the Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-20 in this circular;
- (vi) the report from CCTH CPA Limited on the unaudited pro forma financial information of the Group upon the completion of the Rights Issue, the text of which is set out in Appendix II to this circular;
- (vii) the written consents referred to in the paragraph headed "**8. EXPERTS AND CONSENTS**" in this Appendix III;
- (viii) the material contracts referred to in the paragraph headed "**9. MATERIAL CONTRACTS**" in this Appendix III; and
- (ix) this circular.

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## NOTICE OF EGM

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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)**

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of AL Group Limited (the “**Company**”) will be held at Suite 807, 8/F, Harcourt House, 39 Gloucester Road, Wan Chai, Hong Kong on Tuesday, 10 August 2021 at 12: 00 noon for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. “**THAT** subject to the GEM Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting approval for the listing of, and permission to deal in, the Consolidated Shares (as defined below) in issue, with effect from the second business day immediately following the day of passing of this resolution, being a day on which the shares of the Company are traded on the Stock Exchange:
  - (a) every ten (10) issued and unissued shares of HK\$0.01 each in the share capital of the Company be consolidated into one (1) share of HK\$0.1 each (each a “**Consolidated Share**”), and such Consolidated Share(s) shall rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the articles of association of the Company (the “**Share Consolidation**”);
  - (b) all fractional Consolidated Shares resulting from the Share Consolidation will be disregarded and will not be issued to holders of the same but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company in such manner and on such terms as the board (the “**Board**”) of directors (the “**Directors**”) of the Company may think fit; and
  - (c) the Directors be and are hereby authorised to do all such acts, deeds and things and to effect all necessary actions as they may consider necessary or desirable in order to effect, implement and complete any and all of the foregoing.”



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## NOTICE OF EGM

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2. “**THAT** conditional upon (i) the GEM Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Rights Shares (as defined below) to be allotted and issued to the shareholders of the Company (the “**Shareholders**”) pursuant to the terms and conditions of the Rights Issue (as defined below); and (ii) the Underwriting Agreement (as defined below) becoming unconditional and not being terminated in accordance with its terms:
- (a) the issue by way of rights (the “**Rights Issue**”) of 266,520,000 Consolidated Shares (each a “**Rights Share**”) to the Shareholders (the “**Qualifying Shareholders**”) whose names appear on the register of members of the Company on the date by reference to which entitlements to the Rights Issue are to be determined (the “**Record Date**”) (excluding those Shareholders (the “**Non-Qualifying Shareholders**”) of the Company with registered addresses as shown in the register of members of the Company at the close of business on the Record Date in places outside Hong Kong in respect of whom the Board considers it necessary or expedient not to offer the Rights Shares after making the relevant enquiries regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant regulatory body or stock exchange in those places), in the proportion 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 be and is hereby approved;
  - (b) the underwriting agreement (the “**Underwriting Agreement**”) dated 7 June 2021 (as amended and supplemented by the extension letter dated 5 July 2021 and from time to time) entered into between the Company and Space Securities Limited (a copy of the Underwriting Agreement has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
  - (c) the Board or a committee thereof be and is hereby authorised to allot and issue the Rights Shares (in both nil-paid form and fully-paid form) pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to Non-Qualifying Shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company; and

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## NOTICE OF EGM

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- (d) any Director be and is hereby authorised to sign and execute such documents and do all such acts and things or as they consider necessary, desirable or expedient in connection with the implementation of or giving effect to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 23 July 2021

*Notes:*

- (i) Any member entitled to attend and vote at the Meeting convened is entitled to appoint another person(s) as his proxy to attend and vote in his behalf. A member who is the holder of two or more shares of the Company may appoint more than one proxy to attend on the same occasion. A proxy need not be a member of the Company.
- (ii) To be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding of the Meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof should he so wish, in such event, the form of proxy shall be deemed to be revoked.
- (iii) In the case of joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto if more than one of such joint holders are present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand first in the Register of Shareholders in respect of the joint holding.
- (iv) The above resolutions will be put to vote at the Meeting by way of poll.
- (v) The Register of Members of the Company will be closed from Wednesday, 4 August 2021 to Tuesday, 10 August 2021 (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at the Meeting, all transfer document, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrars and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 3 August 2021.
- (vi) If tropical cyclone warning signal no. 8 or above is hoisted or “extreme conditions” caused by super typhoons or a black rainstorm warning signal is in force at 10:00 a.m. on Tuesday, 10 August 2021, the Meeting will be postponed and further announcement for details of alternative meeting arrangements will be made. The Meeting will be held as scheduled even when tropical cyclone warning signal no. 3 or below is hoisted, or an amber or red rainstorm warning signal is in force. You should make your own decision as to whether you would attend the Meeting under bad weather conditions and if you should choose to do so, you are advised to exercise care and caution.
- (vii) As at the date of this notice, the executive Directors are Mr. Lam Chung Ho Alastair and Mr. Kwan Tek Sian; and the independent non-executive Directors are Mr. Tse Chi Shing, Mr. Tse Wai Hei and Mr. Tam Chak Chi.