
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus 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 Prospectus 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).

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

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed "15. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES" in Appendix III to this Prospectus, have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission, The Stock Exchange of Hong Kong Limited and the Registrar of Companies in Hong Kong take no responsibility as to the contents of any of the Prospectus Documents.

Dealings in the Shares and the Rights Shares in both nil-paid and fully-paid forms may be settled through CCASS established and operated by HKSCC and you should consult your stockbroker or licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and 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 their respective commencement dates of dealings in the Rights Shares 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. You should consult your stockbroker or licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.



AL Group Limited 利駿集團(香港)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8360)

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

Financial adviser to the Company



Underwriter to the Rights Issue



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

The latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Tuesday, 7 September 2021. The procedures for acceptance and payment or transfer of the Rights Shares and application and payment for excess Rights Shares are set out on pages 23 to 28 of this Prospectus.

It should be noted that the Shares has been 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.

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon the Rights Issue having become unconditional and the Underwriter not having terminated or rescinded (as the case may be) 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" of this Prospectus). Accordingly, the Rights Issue may or may not proceed.

24 August 2021

CHARACTERISTICS OF GEM

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.

CONTENTS

	<i>Page</i>
EXPECTED TIMETABLE	1
DEFINITIONS	4
TERMINATION OF THE UNDERWRITING AGREEMENT	11
LETTER FROM THE BOARD	14
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP	II-1
APPENDIX III — GENERAL INFORMATION	III-1

EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the 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 Prospectus shall refer to Hong Kong local time and dates.

Event	Date (Hong Kong time)
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
Latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares	4:00 p.m. on Tuesday, 7 September 2021
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 Shares (in the form of existing share certificates) closes	4:10 p.m. on Wednesday, 15 September 2021

EXPECTED TIMETABLE

Parallel trading in the 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
Share and fully-paid Rights Shares 4:00 p.m. on
Friday, 8 October 2021

All times and dates stated above refer to Hong Kong local times and dates. The expected timetable for the Rights Issue set out above and all dates and deadlines specified in this Prospectus 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

EXPECTED TIMETABLE

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.

DEFINITIONS

In this Prospectus, 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
“Announcement”	the announcement of the Company dated 7 June 2021 in relation to, among other things, the Share Consolidation, the Change in Board Lot Size and the 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 Shares
“Circular”	the circular of the Company dated 23 July 2021 in respect of, among others, the Share Consolidation, the Change in Board Lot Size and the Rights Issue

DEFINITIONS

“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
“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 convened and held on 10 August 2021 at which the Share Consolidation, the Rights Issue and the transactions contemplated thereunder were approved by the Shareholders and the Independent Shareholders
“Existing Share(s)”	existing ordinary share(s) of HK\$0.01 each in the share capital of the Company prior to the Share Consolidation became 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

DEFINITIONS

“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 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 Shares in order to qualify for the Rights Issue
“Latest Practicable Date”	19 August 2021, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information for inclusion in this Prospectus
“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

DEFINITIONS

“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 “RIGHTS ISSUE” in this Prospectus
“Outstanding Share Option(s)”	as at the Latest Practicable Date, there are 800,000 outstanding share options granted under the Share Option Scheme
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) shown 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
“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 Prospectus shall exclude Hong Kong, Taiwan and Macau Special Administrative Region

DEFINITIONS

“Promissory Notes”	the promissory notes 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\$6.57 million as at 30 June 2021
“Prospectus”	this prospectus dated 24 August 2021 issued by the Company in relation to the Rights Issue
“Prospectus Documents”	collectively, this 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) shown 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
“Rights Issue”	the proposed issue of the Rights Shares on the basis of three (3) Rights Shares for every one (1) 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 Share(s) to be allotted and issued under the proposed Rights Issue

DEFINITIONS

“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
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Share Consolidation”	the consolidation of every ten (10) issued and unissued Existing Shares of HK\$0.01 each into one (1) Share of HK\$0.10 each, which became effective on Thursday, 12 August 2021
“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

DEFINITIONS

“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 Prospectus shall prevail over its Chinese text.

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 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

TERMINATION OF THE UNDERWRITING AGREEMENT

- (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

TERMINATION OF THE UNDERWRITING AGREEMENT

- (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.

LETTER FROM THE BOARD



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 Director:
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

24 August 2021

*To the Qualifying Shareholders and,
for information only, the Non-Qualifying Shareholders*

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Share Consolidation; the Change in Board Lot Size and the Rights Issue.

LETTER FROM THE BOARD

At the EGM convened and held on Tuesday, 10 August 2021 at 12:00 noon, the necessary resolutions for approving, among other things, the Share Consolidation and the Rights Issue and the transactions contemplated respectively thereunder were duly passed by the Independent Shareholders. None of the Shareholders or their associates was required to abstain from voting at the EGM.

Pursuant to the Underwriting Agreement, the Underwritten Shares are fully underwritten by the Underwriter on the terms and subject to the conditions set out therein.

The purpose of this Prospectus is to provide you with further details of the Rights Issue including information on dealings in, transfer and acceptance of the Rights Shares and certain financial and other information in respect of the Group.

RIGHTS ISSUE

Issue statistics:

Basis of the Rights Issue	:	Three (3) Rights Shares for every one (1) 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 Latest Practicable Date	:	88,840,000 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	266,520,000 Rights Shares
Aggregate nominal value of the Rights Shares	:	HK\$26,652,000
Number of Rights Shares underwritten by the Underwriter	:	266,520,000 Rights Shares
Enlarged number of Shares upon completion of the Rights Issue	:	355,360,000 Shares

LETTER FROM THE BOARD

Gross proceeds from the Rights Issue : Approximately HK\$71.96 million before expenses

Right of excess applications : Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

As at the Latest Practicable Date, there are Outstanding Share Options for subscription of an aggregate amount of 800,000 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 Shares as at the Latest Practicable Date and approximately 75% of the total number of issued 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.

LETTER FROM THE BOARD

The Subscription Price

The Subscription Price represents:

- i. a discount of approximately 15.63% to the theoretical closing price of HK\$0.320 per 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 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 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 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 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 Share to the benchmarked price of approximately HK\$0.370 per Share (after taking into account the effect of the Share Consolidation).

LETTER FROM THE BOARD

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 PROPOSED RIGHTS ISSUE AND USE OF PROCEEDS" in this Prospectus. The Directors consider that the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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 Share on the Last Trading Day (after taking into account the effect of the Share Consolidation), 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 Share (based on the lowest closing price of HK\$0.034 per Existing Share and after taking into account the effect of the Share Consolidation) and HK\$0.44 per Share (based on the highest closing price of HK\$0.044 per Existing Share and after taking into account the effect of the Share Consolidation), with an average closing price of approximately HK\$0.39 per Share (based on the average closing price of HK\$0.039 per Existing Share and after taking into account the effect of the Share Consolidation). The Subscription Price of HK\$0.27 per Share represents (i) a discount of approximately 20.59% to the lowest theoretical closing price of HK\$0.34 per Share; (ii) a discount of approximately 38.64% to the highest theoretical closing price of HK\$0.44 per Share; and (iii) a discount of approximately 30.77% to the theoretical average closing price of approximately HK\$0.39 per Share. Given the trading prices of the Existing 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.

LETTER FROM THE BOARD

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
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

LETTER FROM THE BOARD

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
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
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
		Maximum discount		(60.78)	
		Minimum discount		(10.31)	
		Average discount		(27.84)	

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 day 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 Share on the Last Trading Day, having considered the aforesaid factors, the Directors 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.

LETTER FROM THE BOARD

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 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 Company will send the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date. For the Non-Qualifying Shareholders, the Company will send copies of this Prospectus to them for their information only, but no PAL and EAF will be sent to the Non-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 and not be a Non-Qualifying Shareholder as at the close of business on the Record Date.

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.

Basis of provisional allotments

The basis of the provisional allotment shall be three (3) Rights Shares for every one (1) 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.

LETTER FROM THE BOARD

Rights of Overseas Shareholders (if any)

The Prospectus Documents have not been registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will make enquiries pursuant to 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.

As at the Record Date, there was no Overseas Shareholder as shown on the register of members of the Company.

It is the responsibility of any person (including but without limitation to nominee, custodian, agent and trustee) receiving a copy of the Prospectus or the PAL or the EAF outside Hong Kong and wishing to take up the Rights Shares or make an application for excess Rights Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including the obtaining of any governmental or other consents for observing any other formalities which may be required in such territory or jurisdiction, and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been complied with. If you are in any doubt as to your position, you should consult your professional adviser. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to any of the representations and warranties.

The Company will send the Prospectus to the Non-Qualifying Shareholders (if any) for their information only, but will not send any PAL and EAF to them. Receipt of a copy of the Prospectus does not and will not constitute an offer to the Non-Qualifying Shareholder(s).

LETTER FROM THE BOARD

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.

Procedures for acceptance and payment and/or transfer

Qualifying Shareholders should find enclosed with this Prospectus a PAL which entitles the Qualifying Shareholders to whom it is addressed to subscribe for the number of Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PALs, they must lodge the PALs in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance (rounded up to the nearest 2 decimal places), with the Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Tuesday, 7 September 2021. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to "**AL Group Limited — PAL Account**" and crossed "**ACCOUNT PAYEE ONLY**". The benefit of any rounding adjustments will be retained by the Company.

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Registrar by no later than 4:00 p.m. on Tuesday, 7 September 2021 (or, under bad weather and/or extreme conditions, such later time and/or date as mentioned in the sub-section headed "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" in the section headed "EXPECTED TIMETABLE" of this Prospectus), whether by the original allottee or any person to whom the provisional allotment has been validly transferred, the relevant provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled and such Rights Shares will be available for application under the EAFs by the Qualifying Shareholders. The Company is not obliged to but may, at its sole and absolute discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require such incomplete PAL to be completed by the relevant person at a later stage.

LETTER FROM THE BOARD

If a Qualifying Shareholder wishes to transfer all of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it, the Qualifying Shareholder must complete and sign the “Form of transfer and nomination” in the PAL and hand the PAL to the transferee(s) or through whom the Qualifying Shareholder are transferring his/her/its rights. The transferee(s) must then complete and sign the “Registration application form” in the PAL and lodge the PAL intact together with a remittance for the full amount payable on acceptance with the Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong by not later than 4:00 p.m. on Tuesday, 7 September 2021 (or, under bad weather and/or extreme conditions, such later time and/or date as mentioned in the sub-section headed “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” in the section headed “EXPECTED TIMETABLE” of this Prospectus).

If a Qualifying Shareholder wishes to accept only part of the provisional allotment or transfer part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL or transfer part/all of his/her/its rights to more than one person, the original PAL must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Monday, 30 August 2021 with the Registrar, who will cancel the original PAL and issue new PAL(s) in the denominations required. The new PAL(s) will be available for collection from the Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques and cashier’s orders will be presented for payment immediately upon receipt and all interests earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier’s order in the payment of the Rights Shares, whether by the Qualifying Shareholder or such other person(s) to whom the rights to subscribe for the Rights Shares have been validly transferred, will constitute a warranty by such person that the cheque or the cashier’s order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the accompanying cheque or cashier’s order is dishonoured on first presentation, and in that event the relevant provisional allotment of Rights Shares and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled.

LETTER FROM THE BOARD

No action has been taken to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no person receiving the Prospectus Documents in any territory outside Hong Kong may treat it as an offer or invitation to apply or subscribe for the Rights Shares, unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. Completion and return of the PAL by anyone outside Hong Kong will constitute a warranty and representation by such person to the Company that all registration, legal and regulatory requirements of such relevant jurisdictions other than Hong Kong in connection with the PAL and any acceptance of it, have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above warranty and representation. The Company reserves the right to refuse to accept any application or subscription for Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction. No application for Rights Shares will be accepted from any person who is a Non-Qualifying Shareholder.

If the Underwriter exercises the right to terminate or rescind the Underwriting Agreement or if any of the conditions of the Underwriting Agreement as set out in the paragraph headed “Conditions precedent of the Underwriting Agreement” under the sub-section headed “THE UNDERWRITING AGREEMENT” is not fulfilled or waived (as applicable) by the Latest Time for Termination (i.e. at or before 4:00 p.m. on Wednesday, 8 September 2021), the remittance received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in the nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders or such other persons to their registered addresses by the Registrar on or before Wednesday, 15 September 2021.

No receipt will be issued in respect of any application monies received.

LETTER FROM THE BOARD

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 and which cannot be sold at a net premium; and (ii) any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders or transferees of nil-paid Rights Shares. Applications for the excess Rights Shares may be made by completing the EAF(s) and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar no later than the Latest Time for Acceptance (being no later than 4:00 p.m. on Tuesday, 7 September 2021).

Applications for excess Rights Shares may be made by completing an EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. 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 Rights Shares subscribed through PALs, or the number of Shares held by the Qualifying Shareholders.

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.

LETTER FROM THE BOARD

Any Qualifying Shareholder wishing to apply for any Rights Shares in addition to his/her/its provisional allotment must complete and sign the EAF in accordance with the instructions printed thereon and lodge the same, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:00 p.m. on Tuesday, 7 September 2021. All remittances must be made by cheque or cashier's order in Hong Kong dollars. Cheques must be drawn on an account with, and cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**AL Group Limited — EAF Account**" and crossed "**ACCOUNT PAYEE ONLY**". The benefit of any rounding adjustments will be retained by the Company. The Registrar will notify the relevant Qualifying Shareholders of any allotment of excess Rights Shares made to them.

Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) should note that the Board will regard such nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually save and except for the beneficial owner(s) which the Company may permit in its absolute discretion. Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names on or prior to the Record Date for the purpose of the Rights Issue. Shareholders who would like to have their names registered on the register of members of the Company on the Record Date, must lodge all necessary documents with the Registrar for registration by no later than 4:30 p.m. on Monday, 16 August 2021.

The allocation of excess Rights Shares (if any) made to the Qualifying Shareholders will be announced on or before Tuesday, 14 September 2021. If no excess Rights Shares are allotted to the Qualifying Shareholders, a cheque for the amount tendered on application is expected to be refunded in full on or before Wednesday, 15 September 2021. If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, a cheque for the surplus application monies are also expected to be refunded to them on or before Wednesday, 15 September 2021.

LETTER FROM THE BOARD

All cheques or cashier's orders accompanying completed EAFs will be presented for payment immediately upon receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the EAF will constitute a warranty and representation to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions in connection of the EAF and any acceptance of it, have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited has given, or be subject to, any of the above representation or warranty. Completion and return of the EAF with a cheque or a cashier's order will constitute a warranty by the applicant that the cheque or the cashier order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any EAF in respect of which the cheque or cashier's order is dishonoured on first presentation.

If the Underwriter exercises the right to terminate the Underwriting Agreement at or before the Latest Time for Termination or if the conditions of the Underwriting Agreement are not fulfilled, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the nil-paid Rights Shares shall have been validly transferred, or in case of joint acceptances, to the first-named person, without interest by means of cheques despatched by ordinary post to their respective registered address at their own risk on or before Wednesday, 15 September 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.

LETTER FROM THE BOARD

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 Unit 7, 11th Floor, Emperor Group Centre, 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.

LETTER FROM THE BOARD

Application for listing of the Rights Shares

The Company has applied 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.

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 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.

LETTER FROM THE BOARD

It is emphasised that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Rights Shares in both their nil-paid and fully-paid forms.

Conditions of the Rights Issue

The Rights Issue is conditional upon the Underwriting Agreement having become unconditional and not being terminated in accordance with the terms thereof.

In addition, according to Rule 10.29(1) of the GEM Listing Rules, the proposed Rights Issue is conditional on the approval by the Independent Shareholders at the EGM by passing the necessary resolution(s). The necessary resolution(s) for approving the Rights Issue has been duly passed by the Independent Shareholders at the EGM at 12:00 noon on Tuesday, 10 August 2021.

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

LETTER FROM THE BOARD

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 : 266,520,000 Rights Shares
underwritten by
the Underwriter

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.

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 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.

LETTER FROM THE BOARD

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 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

LETTER FROM THE BOARD

- (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

LETTER FROM THE BOARD

- (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.

As at the Latest Practicable Date, the Board has not received any notice from the Underwriter of its intention to terminate the Underwriting Agreement due to the recent outbreak of novel coronavirus or any others reasons.

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;

LETTER FROM THE BOARD

- d. the posting of the Prospectus Documents to the Qualifying Shareholders by the Prospectus Posting Date and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- e. the GEM Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms) by no later than the business day prior to the first day of their dealings;
- f. the Underwriting Agreement not being terminated or rescinded by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;
- g. compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;
- h. compliance with and performance of all the undertakings and obligations of the Options Holder under the Options Holder's Undertaking;
- i. there being no event which would have rendered any of the warranties given by the Company under the Underwriting Agreement untrue or incorrect in any material respect occurring prior to the Latest Time for Termination;
- j. the Shares remaining listed on GEM of the Stock Exchange at all times prior to the settlement date and the listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 10 trading days at any time prior to the Latest Time for Acceptance, excluding any suspension in connection with the clearance of 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

LETTER FROM THE BOARD

- 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, conditions (a) and (b) have been fulfilled, conditions (c) and (d) above are expected to have been fulfilled on the Prospectus Posting Date and all the other conditions remain unfulfilled.

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 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.

LETTER FROM THE BOARD

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 Notes is held by Ms. Tsang, who is a third party independent of and not connected with the Company and its connected persons.

As noted from the First Quarter Report, as at 31 March 2021, the Group had total liabilities of approximately HK\$117.6 million (31 December 2020: approximately HK\$111.6 million) which mainly comprise of trade and other payables, contract liabilities, amount due to non-controlling interest, lease liabilities and borrowings amounting to approximately HK\$68.7 million (31 December 2020: approximately HK\$63.5 million) and promissory 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.

LETTER FROM THE BOARD

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\$6.57 million as at 30 June 2021, the Directors 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 Notes which amounts to approximately HK\$3.70 million, has been becoming a heavy burden on the Group's operation. As such, the Directors consider it is essential to trim down the debt level of the Group to relieve its financial burden.

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

In view of the above, Board 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.

LETTER FROM THE BOARD

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

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

Furthermore, the Directors consider that the Rights Issue, which is on a fully underwritten basis, will allow the Group to strengthen its capital structure without incurring debt financing cost. Meanwhile, the Board is also of the view that the Rights Issue represents an opportunity for the Company to strengthen its financial position after having considered that: (i) the continuous net loss of the Group for the financial year ended 31 December 2019 and 2020 and the net liabilities position of the Group as at 31 December 2020; (ii) the Rights Issue offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and their intention to participate in the future development of the Company should they wish to do so; (iii) the discount of the Subscription Price to the prevailing market price could enhance the attractiveness of the Rights Issue and it is the Company's objective to encourage the participation of 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.

LETTER FROM THE BOARD

Therefore, the Board 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.

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 our 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;

LETTER FROM THE BOARD

- 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

For illustration purposes only, set out below is the shareholding structure of the Company as at the Latest Practicable Date and the effect on the shareholding structure of the Company upon completion of the Rights Issue in the manner contemplated under the Underwriting Agreement:

	(i) As at the Latest Practicable Date		Immediately after completion of the Rights Issue			
			(ii) Assuming all Shareholders take up their respective allotment of Rights Shares in full		(iii) Assuming no Shareholders take up any of the Rights Shares and the Underwriter takes up the Rights Shares in full	
	<i>No. of Shares</i>	<i>Approx.%</i> <i>(Note 3)</i>	<i>No. of Shares</i>	<i>Approx.%</i> <i>(Note 3)</i>	<i>No. of Shares</i>	<i>Approx.%</i> <i>(Note 3)</i>
Climb Up Limited (<i>Note 1</i>)	11,500,000	12.94	46,000,000	12.94	11,500,000	3.24
Underwriter (<i>Notes 2</i>)	-	-	-	-	266,520,000	75.00
Public Shareholders	77,340,000	87.06	309,360,000	87.06	77,340,000	21.76
Total	88,840,000	100.00	355,360,000	100.00	355,360,000	100.00

Notes:

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

LETTER FROM THE BOARD

2. 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.

On 26 July 2021, the Underwriter entered into a sub-underwriting agreement with Get Nice Securities Limited (the “**Sub-Underwriter**”), pursuant to which, the Sub-Underwriter will sub-underwrite 211,110,000 Underwritten Shares (representing approximately 59.41% of the enlarged share capital of the Company immediately after completion of the Right Issue). To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, the Sub-Underwriter and its ultimate beneficial owners are third party independent of, not acting in concert with and not connected with the Company and its connected persons, any of the Directors, chief executive of the Company or substantial shareholder(s) of the Company or their respective associates. The Sub-Underwriter and the Underwriter are independent of each other as at the Latest Practicable Date.

The Sub-Underwriter is a licensed corporation authorised to carry out Type 1 (Dealings in Securities), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities under the SFO, and the ordinary course of business of the Sub-Underwriter includes underwriting of securities.

As at the Latest Practicable Date, the Sub-Underwriter has procured 5 sub-underwriters namely, Imagi Brokerage Limited, Oshidori Securities Limited, Planetree Securities Limited, Seekers Markets Limited and Wo Fung Securities Company Limited, to sub-underwrite an aggregate amount of 177,000,000 Rights Shares.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, all of the sub-underwriters are securities houses, with their respective ultimate beneficial owners are third party independent of, not acting in concert with and not connected with the Company and its connected persons, any of the Directors, chief executive of the Company or substantial shareholder(s) of the Company or their respective associates. All of the sub-underwriters have undertaken that each of them will use their best endeavours to ensure that each subscriber procured by them is Independent Third Party.

Apart from the aforesaid sub-underwriting commitment, the Sub-Underwriter and its sub-underwriters did not hold any Shares as at the Latest Practicable Date.

3. The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

LETTER FROM THE BOARD

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

The Company had not conducted any equity fund raising activities in the past 12 months immediately preceding 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 800,000 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, as a result of the Rights Issue. 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 the allotment results announcement of the Rights Issue.

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.

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

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

LETTER FROM THE BOARD

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

Shareholders and potential investors are advised to exercise caution when dealing in the 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).

ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
AL Group Limited
Kwan Tek Sian

Chairman, Chief Executive Officer and Executive Director

1. FINANCIAL SUMMARY OF THE GROUP

Details of the unaudited consolidated financial statements of the Group for the six months ended 30 June 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) and the website of the Company (<http://www.al-grp.com/>):

- (i) The unaudited financial information of the Group for the six months ended 30 June 2021 is disclosed in the interim report of the Company for the six months ended 30 June 2021 published on 13 August 2021, from pages 11 to 37:

<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0813/2021081301897.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 30 June 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the publication of the Prospectus, 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\$52.7 million as at 30 June 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\$8.8 million as at 30 June 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\$11.5 million as at 30 June 2021; and
- (iv) amount due to a shareholder of a subsidiary of HK\$5.6 million outstanding at 30 June 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 30 June 2021, the Group have outstanding payment for these lease payables amounted to HK\$2.4 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 30 June 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 30 June 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 Prospectus.

The Company has obtained the relevant confirmation as required under Rule 12.26C 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 unaudited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2021 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 unaudited consolidated net tangible assets/liabilities of the Group had the Rights Issue been completed as at 30 June 2021 or at any future date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group are prepared based on the unaudited consolidated net liabilities of the Group attributable to owners of the Company as at 30 June 2021 derived from the unaudited interim condensed consolidated statement of the financial position of the Group as at 30 June 2021, as set out in the interim report of the Company for the six months ended 30 June 2021, 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 HK\$'000 (Note 1)	Estimated net proceeds from the Rights Issue HK\$'000 (Note 2)	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 HK\$'000 (Note 3)
Based on 266,520,000 Rights Shares to be issued at the subscription price of HK\$0.27 each	(25,114)	69,460	44,346

HK\$ per Share

Unaudited consolidated net tangible liabilities at 30 June 2021 attributable to owners of the Company per Share (<i>Note 4</i>)	(0.28)
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 5</i>)	0.12

Notes:

- The adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company of HK\$25,114,000 is based on the unaudited consolidated net liabilities which represents the equity attributable to owners of the Company as at 30 June 2021, as derived from the Group's condensed consolidated statement of financial position as at that date contained in the Group's published interim report of the Company for the six months ended 30 June 2021, and is adjusted as follows:

	<i>HK\$'000</i>
Unaudited consolidated net liabilities of the Group attributable to owners of the Company as at 30 June 2021	(23,999)
Less: goodwill (<i>Note (a)</i>)	<u>1,115</u>
Unaudited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2021	(25,114)
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>(25,114)</u></u>

Notes:

- The goodwill of the Group of HK\$1,115,000 at 30 June 2021 is derived from the condensed consolidated statement of financial position of the Group as at that date contained in the Group's published interim report for the six months ended 30 June 2021.
- Pursuant to the Option Holder's Undertaking, the holder of the Outstanding Share Options (representing 800,000 outstanding share options granted under the Share Option Scheme) have agreed not to exercise these share options granted to him/her before the completion of the Rights Issue.

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 are exercised prior to the completion of the Rights Issue, 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\$44,346,000 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\$25,114,000 (Note 1) and the estimated net proceeds from the Rights Issue of HK\$69,460,000 as set out in Note 2.
4. The calculation of the unaudited consolidated net tangible liabilities of the Group at 30 June 2021 attributable to owners of the Company per Share is based on the unaudited consolidated net tangible liabilities of the Group attributable to owners of the Company at 30 June 2021 of approximately HK\$25,114,000 as set out in Note 1 above and 88,840,000 Shares in issue at 30 June 2021 on the assumption that the Share Consolidation had been effective as at that date.
5. 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\$44,346,000 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; and
 - (ii) 266,520,000 Rights Shares to be issued, assuming no Outstanding Share Options are exercised prior to the completion of the Rights Issue.
6. 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 30 June 2021.

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 prospectus issued by the Company dated 24 August 2021 (the “**Prospectus**”) in connection with the rights issue on the basis of three rights shares for every one 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 Prospectus.

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 30 June 2021 as if the Rights Issue had taken place on 30 June 2021. As part of this process, information about the Group’s financial position has been extracted by the Directors from the interim report of the Company for the six months ended 30 June 2021.

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 compiled 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 the Prospectus 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 30 June 2021 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

24 August 2021

Lee Chi Hang

Practising certificate number: P01957

1. RESPONSIBILITY STATEMENT

This Prospectus, 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 Prospectus 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 Prospectus 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:**

<i>Authorised:</i>		<i>HK\$</i>
1,000,000,000	Shares of HK\$0.10 each	100,000,000.00
<i>Issued and paid-up share capital:</i>		
88,840,000	Shares of HK\$0.10 each	8,884,000.00

- ii. **The following table illustrates the share capital structure of the Company immediately after the completion of the Rights Issue:**

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

All of the 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 Shares in issue as at the date of allotment and issue of the Rights Shares.

The 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 Shares and the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

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 800,000 Shares, details of which are set out below:

Date of grant	Exercise period	Exercise price	Number of underlying Shares
9 October 2020	9 October 2020 to 8 October 2030	HK\$0.43	800,000

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 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 Shares and underlying Shares

Name	Capacity	Number of Shares held	Approximate percentage of interest
Climb Up Limited ("Climb Up") (note)	Beneficial owner	11,500,000	12.94%
Mr. Wong Yu Ki Andy (note)	Interest in a controlled corporation	11,500,000	12.94%
Mr. Lam Lesile (note)	Interest in a controlled corporation	11,500,000	12.94%

Note: 11,500,000 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. EXPERT AND CONSENT

The following sets out the qualification of the expert who has given opinion, letter or advice included in this Prospectus:

Name	Qualifications
CCTH CPA Limited	Certified Public Accountants

The above expert has given and has not withdrawn its written consent to the issue of this Prospectus with copies of its letter and/or report and the references to its name included in this Prospectus in the forms and contexts in which they are respectively included. The above expert 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 Existing 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

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
Company secretary	Mr. Leung Louis Ho Ming
Compliance officer	Mr. Kwan Tek Sian
Authorised representatives	Mr. Kwan Tek Sian Mr. Leung Louis Ho Ming
Principal share registrar and transfer office in the Cayman Islands	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Branch share registrar and transfer office in Hong Kong	Tricor Investor Services Limited Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Principal bankers	Bank of Communications (Hong Kong) Limited G/F., Chai Wan Cinema Building, 121 – 121A Wan Tsui Road, Chai Wan, 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
Reporting accountants	CCTH CPA Limited Unit 1510–17, 15/F, Tower 2, Kowloon Commerce Centre, No. 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong
Legal advisers to the Company in relation to the Rights Issue	<i>As to Hong Kong law</i> Michael Li & Co. 19th Floor Prosperity Tower, 39 Queen’s Road Central, Central, Hong Kong
Financial adviser to the Company	Merdeka Corporate Finance Limited Room 1108, 11/F Wing On Centre, 111 Connaught Road Central, Central, Hong Kong
Underwriter	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 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

Name	Correspondence address
Executive Director	
Mr. Kwan Tek Sian	Suite 807, 8/F, Harcourt House, 39 Gloucester Road, Wan Chai, Hong Kong
Independent Non-executive Directors	
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 Director

Mr. Kwan Tek Sian (“Mr. Kwan”), aged 45, was appointed as the chief executive officer (“CEO”) and an executive Director on 4 February 2020 and a Chairman of the Board on 2 August 2021. He 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, which is a privately held Australian based company and 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 (HKICPA) 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 the chairman of nomination committee and a member of each 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.

Audit committee

The Company has established the audit committee with specific written terms of reference formulated in accordance with the requirements of the GEM Listing Rules. The primary duties of the audit committee are to ensure the objectivity and credibility of the Company's financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditor of the Company. As at the Latest Practicable Date, the audit committee of the Company comprises of three independent non-executive Directors, namely Mr. Tse, Mr. Tse W.H. and Mr. Tam, with at least one of whom has professional qualification or accounting or related financial management expertise as required in Rule 5.05(2) of the GEM Listing Rules.

13. GENERAL

- (i) The English text of this Prospectus 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, Wan Chai, 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. BINDING EFFECT

The Prospectus Documents, and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, so far as applicable.

15. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents and the written consent as referred to the paragraph headed "8. EXPERT AND CONSENT" in this Appendix, have been registered by the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

16. MISCELLANEOUS

- (a) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) In the event of inconsistency, the English text of this Prospectus shall prevail over the Chinese text.

17. 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 Prospectus:

- (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 interim report of the Company for the six months ended 30 June 2021;
- (iv) the report from CCTH CPA Limited on the unaudited pro forma financial information of the Group upon Completion, the text of which is set out in Appendix II to this Prospectus;
- (v) the written consents referred to in the paragraph headed "**8. EXPERT AND CONSENT**" in this Appendix;
- (vi) the material contracts referred to in the paragraph headed "**9. MATERIAL CONTRACTS**" in this Appendix;
- (vii) the Circular; and
- (viii) the Prospectus Documents.