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AL Group Limited
利駿集團(香港)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8360)

**ANNOUNCEMENT OF THIRD QUARTERLY RESULTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of AL Group Limited (the “**Company**”) is pleased to announce the unaudited results of the Company and its subsidiaries (together as the “**Group**”) for the nine months ended 30 September 2021.

This announcement, containing the full text of the 2021 third quarterly report of the Group, complies with the relevant requirements of the Rules Governing the Listing of Securities on the GEM (“**GEM Listing Rules**”) of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcements of quarterly results. Printed version of the 2021 third quarterly report of the Company containing the information required by the GEM Listing Rules will be dispatched to the shareholders of the Company in due course.

The Company’s third quarterly results announcement is published on the website of the Stock Exchange at <http://www.hkgem.com> and the Company’s website at www.AL-Grp.com.

By Order of the Board

AL Group Limited

Kwan Tek Sian

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 12 November 2021

As at the date of this announcement, the executive Director is Mr. Kwan Tek Sian; and the independent non-executive Directors are Mr. Tse Chi Shing, Mr. Tse Wai Hei and Mr. Tam Chak Chi.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page on the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company’s website at www.AL-Grp.com.

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

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, 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 report.

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

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MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

AL Group Limited (the “Company”) together with its subsidiaries (collectively referred to as the “Group”), are principally engaged in the provision of interior design and fit out solutions as well as overall project management in Hong Kong. The Group believes that its success is firmly rooted in its extensive experience and portfolio in interior design and fit out works as well as project management. The Group’s services can be broadly categorised as (i) design and fit out and (ii) design only. In addition, the Group also provides maintenance and aftersales services which could cater for its customers’ different requirements.

Excluding projects relating to maintenance and aftersales service, during the nine months ended 30 September 2021, the total revenue increased by approximately 40.4% and the number of projects decreased by 29.2% over the same period in 2020, mainly attributable to commencement of certain large projects during the third quarter of 2021. As a result, the average revenue per project increased by approximately 100.0% from the same period in 2020 to approximately HK\$1.8 million.

The tables below summarised the number of on-going and completed projects and revenue, by type of service and customer, and the average revenue per project during the nine months ended 30 September 2021 respectively and their comparative figures:

In terms of number of Projects*

	For the nine months ended		
	30 September		
	2021	2020	Change
Design and fit out/Design only			
Office	17	36	(52.8)%
Commercial	10	5	100.0%
Residential	7	7	–
Total	34	48	(29.2)%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In terms of Revenue*

In HK\$' million	For the nine months ended		
	30 September	2020	Change
	2021		
Design and fit out/Design only			
Office	38.4	39.9	(3.8)%
Commercial	18.4	1.9	868.4%
Residential	5.7	2.7	111.1%
Total	62.5	44.5	40.4%

Average Revenue per Project*

In HK\$' million	For the nine months ended		
	30 September	2020	Change
	2021		
Revenue	62.5	44.5	40.4%
Number of projects	34	48	(29.2)%
Average revenue per project	1.8	0.9	100.0%

* excluding those relating to maintenance and aftersales service

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Financial Overview

In HK\$' million	For the nine months ended	
	30 September	2020
	2021	
Revenue	63.1	44.8
Gross Profit (Note 1)	12.5	8.8
Gross Profit Margin	19.9%	19.7%
Adjusted EBITDA (Note 2)	(7.9)	(7.2)
Loss for the period attributable to owners of the Company	(12.9)	(31.7)

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

Note 2: The Group's adjusted EBITDA represents earnings or losses before finance interest income and cost, other gains/losses, excluding written off and impairment loss on trade receivables, net, impairment loss on contract assets, income tax, depreciation of property, plant and equipment and right-of-use assets and share of profit less loss of associates (2020: finance interest income and cost, other gains/losses, income tax, depreciation of property, plant and equipment and right-of-use assets, and share of profit less loss of associate). While adjusted EBITDA is commonly used in the interior design industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with Hong Kong Financial Reporting Standards and should not be considered as representing net cash flows from operating activities. The computation of the Group's adjusted EBITDA may not be comparable to similarly-titled measures of other companies.

For the nine months ended 30 September 2021, the Group's revenue increased when compared to the same period in 2020. The Group's revenue amounted to approximately HK\$63.1 million, representing an increase of approximately 40.9% from the same period in 2020.

The Group's gross profit for the nine months ended 30 September 2021 amounted to approximately HK\$12.5 million, representing an increase of approximately 42.1% over the same period in 2020. Gross profit margin increased from approximately 19.7% to approximately 19.9%, which was mainly due to relatively larger projects (with individual total contract sum over HK\$4 million) continued to contribute revenue in 2021. Whilst the larger projects tend to incur additional subcontracting costs, management is able to tighten the cost control and resulted in a slightly better profit margin than last year. The larger projects enhanced the Group's reputation, maintained a competitive advantage in the market and achieved business growth even in an unstable business environment.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's total operating expenses (Note 3) for the nine months ended 30 September 2021 were approximately HK\$22.8 million when compared to approximately HK\$19.4 million for the same period in 2020.

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

For the nine months ended 30 September 2021, the Group's adjusted EBITDA amounted to approximately HK\$-7.9 million as compared to approximately HK\$-7.2 million for the same period in 2020, mainly driven by the combined effect of the increase in the overall gross profit for the Group's business and the increase in total operating expenses. The Group recorded a loss attributable to owners of the Company of approximately HK\$12.9 million for the nine months ended 30 September 2021 when compared to a loss attributable to owners of the Company of approximately HK\$31.7 million for the same period in 2020. Besides the effect of increase in the overall gross profit mentioned above, such change was mainly attributable to the recognition of an impairment loss on interests in associates for the same period in 2020, gain on change in fair value of financial assets at fair value through profit or loss for the nine months ended 30 September 2021 when compared to a loss over the same period in 2020.

Liquidity, Financial Resources and Capital Structure

During the nine months ended 30 September 2021, the Company (i) completed a shares consolidation (the "Shares Consolidation") on the basis that every ten issued and unissued existing shares of the Company be consolidated into one consolidated share (the "Consolidated Share"). After the Shares Consolidation, the authorised share capital of the Company will become HK\$100,000,000 divided into 1,000,000,000 Consolidated Shares of HK\$0.10 each, of which 88,840,000 Consolidated Shares (which are fully paid or credited as fully-paid) will be in issue. The Shares Consolidation became effective on 12 August 2021; and (ii) raised approximately HK\$71.96 million before expenses by way of a rights issue (the "Rights Issue") of 266,520,000 rights shares (the "Rights Shares") at a subscription price of HK\$0.27 per Rights Share on the basis of three Rights Shares for every one Consolidated Share. Dealings in the Rights Shares, in their fully-paid form, commenced on the Exchange on 16 September 2021.

The Group practiced prudent financial management and maintained a strong and sound financial position during the nine months ended 30 September 2021. As of 30 September 2021, the Group had cash and cash equivalents of approximately HK\$29.8 million (31 December 2020: approximately HK\$24.6 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.2 times as at 30 September 2021 (31 December 2020: approximately 1.3 times).

As at 30 September 2021, the Group had total liabilities of approximately HK\$99.7 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, income tax payable, lease liabilities and borrowings amounting to approximately HK\$99.7 million (31 December 2020: approximately HK\$63.5 million) and promissory note payable of HK\$nil (31 December 2020: \$48.1 million).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As at 30 September 2021, the gearing ratio, expressed as a percentage of interest-bearing debt (borrowings and promissory note payable) over total assets was 12.5% (31 December 2020: 75.0%). It was mainly resulted by the increase in total assets of the Group and the repayment of the promissory note. The management will timely monitor the financial position of the Group and improve the financial position in a timely manner.

The shares of the Company were listed on the GEM Board of the Stock Exchange on 12 July 2016. On 15 September 2021, the Company allotted and issued 266,520,000 shares under Rights Issue on the basis of three Rights Shares for every one existing share held on 23 August 2021. Save as disclosed, the Company had no changes in capital structure during the nine months ended 30 September 2021. As at 30 September 2021, the Company's total number of issued shares was 355,360,000 at HK\$0.1 each (31 December 2020: 872,400,000 at HK\$0.01 each). The Company's capital comprises ordinary shares and capital reserves. The Group finances its working capital requirements mainly through a combination of our cash flows generated from operations, borrowings and proceeds from share offer.

Contingent Liabilities and Capital Commitments

Certain customers of design and fit out contracts undertaken by the Group require a group entity to issue guarantees for performance of contract works in the form of surety bonds.

As at 30 September 2021, the Group had paid a refundable deposit of HK\$588,000 (31 December 2020: HK\$588,000) and, together with certain directors of a subsidiary, had also given counter indemnities to an insurance company for a surety bond issued in favour of a customer by the insurance company amounted to HK\$1,960,000 (31 December 2020: HK\$1,960,000) which was refunded during the nine months ended 30 September 2020. Where the Group fails to provide satisfactory performance to the customer, the customer may demand the insurance company to pay the sum stipulated in the surety bond and the Group may then become liable to compensate the insurance company accordingly.

Save as disclosed herein, the Group has no other material contingent liabilities (31 December 2020: Nil) and any material capital commitments as at 30 September 2021 (31 December 2020: Nil).

Interim Dividend

The board of the Directors of the Company (the "Board") does not declare any interim dividend for the nine months ended 30 September 2021 (2020: Nil).

Future Plans for Material Investment and Capital Assets

The Group did not have any other plans for material investment and capital assets as at 30 September 2021.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the nine months ended 30 September 2021.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The board of Directors (the “Board”) of AL Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 30 September 2021 together with the comparative figures as follows:

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

For the three months/nine months ended 30 September 2021

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	3	22,835	2,855	63,103	44,780
Other income	4	162	464	456	900
Other gains/(losses)	5	31	(620)	524	(19,961)
Subcontracting and materials costs		(19,381)	(2,423)	(50,572)	(35,963)
Employee benefit expenses		(3,482)	(3,292)	(13,888)	(12,139)
Rental expenses		–	(35)	–	(35)
Other expenses		(1,170)	(3,176)	(8,944)	(7,228)
Operating loss		(1,005)	(6,227)	(9,321)	(29,646)
Finance income		–	–	–	5
Finance costs		(1,368)	(1,163)	(4,158)	(3,756)
Share of results of associate		–	75	(96)	(349)
Loss before tax		(2,373)	(7,315)	(13,575)	(33,746)
Income tax expense	6	–	–	72	(7)
Loss for the period		(2,373)	(7,315)	(13,503)	(33,753)
Loss for the period attributable to:					
Owners of the Company		(2,516)	(6,636)	(12,921)	(31,664)
Non-controlling interests		143	(679)	(582)	(2,089)
		(2,373)	(7,315)	(13,503)	(33,753)

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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

For the three months/nine months ended 30 September 2021

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Other comprehensive expenses					
Items that will not be reclassified to profit or loss					
Changes in the fair value of financial assets at the fair value through other comprehensive income		(103)	(169)	8	(819)
Other comprehensive expenses for the period, net of tax		(103)	(169)	8	(819)
Total comprehensive expenses for the period		(2,476)	(7,484)	(13,495)	(34,572)
Total comprehensive expenses for the period attributable to:					
Owners of the Company		(2,619)	(6,805)	(12,913)	(32,483)
Non-controlling interests		143	(679)	(582)	(2,089)
		(2,476)	(7,484)	(13,495)	(34,572)
Loss per share	7	HK cents	HK cents	HK cents	HK cents
Basic		(1.23)	(8.48)	(9.92)	(45.28)
Diluted		N/A	N/A	N/A	N/A

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

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

Unaudited Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2021

	Attributable to owners of the Company						Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Investment revaluation HK\$'000	Share Option Reserve HK\$'000	Accumulated losses HK\$'000			
At 1 January 2021	8,724	88,517	5,922	(579)	488	(117,465)	(14,393)	(11,585)	(25,978)
Loss for the period	-	-	-	-	-	(12,921)	(12,921)	(582)	(13,503)
Other comprehensive expense									
Gain on changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	8	-	-	8	-	8
Total comprehensive expense for the period	-	-	-	8	-	(12,921)	(12,913)	(582)	(13,495)
Issue of shares upon exercise of share options	160	866	-	-	(338)	-	688	-	688
Issue of new shares upon right issues	26,652	45,308	-	-	-	-	71,960	-	71,960
Share issue expenses	-	(2,767)	-	-	-	-	(2,767)	-	(2,767)
At 30 September 2021	35,536	131,924	5,922	(571)	150	(130,386)	42,575	(12,167)	30,408
At 1 January 2020	5,950	82,012	5,922	(46)	-	(79,427)	14,411	(7,412)	6,999
Loss for the period	-	-	-	-	-	(31,664)	(31,664)	(2,089)	(33,753)
Other comprehensive expense									
Loss on changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	(819)	-	-	(819)	-	(819)
Total comprehensive expense for the period	-	-	-	(819)	-	(31,664)	(32,483)	(2,089)	(34,572)
Issue of shares for acquisition of subsidiary	1,120	1,344	-	-	-	-	2,464	-	2,464
Issue of new shares	1,414	3,818	-	-	-	-	5,232	-	5,232
Share issue expenses	-	(63)	-	-	-	-	(63)	-	(63)
At 30 September 2020	8,484	87,111	5,922	(865)	-	(111,091)	(10,439)	(9,501)	(19,940)

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. General information

AL Group Limited (the “Company”) was incorporated in the Cayman Islands on 1 February 2016 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company has established a place of business in Hong Kong at Suite 807, 8/F, Harcourt House, 39 Gloucester Road, Wan Chai, Hong Kong.

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

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

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

2. Basis of preparation

This condensed consolidated financial information for the nine months ended 30 September 2021 has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and the requirements of the Hong Kong Companies Ordinance (“HKCO”) Cap. 622 and the GEM Listing Rules. The condensed consolidated financial information does not include all information and disclosures as required in the annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with HKFRS. The condensed consolidated financial information has been prepared on a historical cost basis, except for available-for-sale financial assets, financial assets and liabilities — measured at fair value.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3. Revenue

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Design and fit out	22,676	2,732	62,452	43,671
Design	12	109	61	815
Maintenance and aftersales services	147	14	590	294
	22,835	2,855	63,103	44,780

4. Other income

	For the three months ended 30 September		For the nine months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Dividend income on financial assets through other comprehensive income	–	–	31	–
Sundry income	162	464	425	900
	162	464	456	900

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5. Other gains/(losses)

	For the three months ended 30 September		For the nine months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Gain/(loss) on change in fair value of financial assets at fair value through profit or loss				
– Net unrealised gain/(loss) on listed securities	135	93	289	(61)
– Net realised loss on disposal on listed securities	–	–	–	(478)
	135	93	289	(539)
Impairment loss on interests in associates	–	–	–	(17,325)
Impairment loss on trade receivables	(2)	(713)	(19)	(2,088)
Reversal of impairment loss on trade receivables	–	–	88	–
Gain/(loss) on disposal of subsidiary	–	–	53	(9)
Gain on disposal of property, plant and equipment	–	–	114	–
Gain on disposal of associate	–	–	101	–
Loss on early repayment of promissory note	(102)	–	(102)	–
	31	(620)	524	(19,961)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the nine months ended 30 September 2021. The Group is not subject to taxation in the Cayman Islands or the British Virgin Islands.

	For the three months ended 30 September		For the nine months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current income tax	-	-	-	7
Deferred tax credit	-	-	(72)	-
Income tax (credit)/expense	(72)	-	(72)	7

7. Loss per share

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2021 (Unaudited)	2020 (Unaudited) (Restated)	2021 (Unaudited)	2020 (Unaudited) (Restated)
Loss attributable to owners of the Company (in HK\$'000)	(2,516)	(6,636)	(12,921)	(31,664)
Weighted average number of ordinary shares in issue ('000)	204,176	78,293	130,209	69,937
Basic loss per share (in HK cents)	(1.23)	(8.48)	(9.92)	(45.28)

Note: The weighted average number of shares for the years ended 30 September 2020 and 2021 have been restated/adjusted to reflect the effect of (i) Shares Consolidation on 12 August 2021 that every ten issued existing shares be consolidated into one consolidated share; and (ii) rights issue as mentioned in the supplementary information.

No diluted loss per share is presented for the three months ended and nine months ended 30 September 2021 and 2020, as there were no potential ordinary shares in issue during those periods.

SUPPLEMENTARY INFORMATION

Shares Consolidation

On 10 August 2021, the share consolidation resolution on the basis that every 10 issued and unissued Shares of HK\$0.01 each will be consolidated into one consolidated share of HK\$0.10 each proposed was duly passed by the Shareholders by way of poll at the extraordinary general meeting.

Please refer to the announcements of the Company dated 7 June 2021, 5 July 2021, 10 August 2021 and 11 August 2021 and the circular of the Company dated 23 July 2021 for details.

Share Option Scheme

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

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

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

As at 1 January 2020, there was no option outstanding, granted, cancelled, exercised or lapsed.

On 9 October 2020, the Company had granted a total of 48,000,000 share options to 6 eligible participants of which 16,000,000 share options are granted to 2 employees and 32,000,000 share options are granted to 4 consultants to subscribe shares of HK\$0.01 each of the Company under the share option scheme at an exercise price of \$0.043 per share. The closing price of the Company's shares immediately before the date of grant is HK\$0.042. Exercise period of the share options granted is 9 October 2020 to 8 October 2030. HK\$1 is paid by each grantees upon acceptance of the share options.

During the year ended 31 December 2020, 24,000,000 of the share options held by the consultants had been exercised. In respect of the share options exercised during the year, the weighted average share price at the date of exercise is HK\$0.065 and the weighted average share price at the dates immediately before the exercise is HK\$0.066.

SUPPLEMENTARY INFORMATION (CONTINUED)

As at 31 December 2020, 16,000,000 share options held by the employees and the 8,000,000 share options held by the consultant are outstanding.

Details of the principal terms of the Share Option Scheme are set out in paragraph headed "13. Share Option Scheme" in section headed "Statutory and General Information" in Appendix IV to the prospectus dated 29 June 2016.

On 4 February 2021, 8,000,000 of the share options held by employee and 8,000,000 of the share options held by consultant had been exercised. In respect of the share options exercised during the period, the closing share price at the date of exercise is HK\$0.053 and the closing share price at the date immediately before the exercise is HK\$0.051.

As at the date of this report, the total number of shares of the Company available for issue under the Scheme was 947,200 shares (as adjusted for the Shares Consolidation effective on 12 August 2021), representing approximately 0.3% of the number of issued share of the Company.

Apart from the aforesaid Share Option Schemes, at no time during the period ended 30 September 2021 was the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such rights.

Rights Issue

The Company conducted the rights issue on the basis of three rights share for every one consolidated share held on the record date at the subscription price of HK\$0.27 per rights share. 266,520,000 rights shares have been accepted and applied for, the gross proceeds raised from the rights issue are approximately HK\$71.96 million before expenses.

Dealings in the rights shares, in their fully-paid form, commenced on the Stock Exchange at 9:00 a.m. on Thursday, 16 September 2021.

Please refer to the announcements of the Company dated 7 June 2021, 9 June 2021, 5 July 2021, 26 July 2021, 10 August 2021, 11 August 2021 and 14 September 2021, the circular of the Company dated 23 July 2021 and the prospectus of the Company dated 24 August 2021 for details.

SUPPLEMENTARY INFORMATION (CONTINUED)

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

As at 30 September 2021, none of the directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the standards of dealing by directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules.

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

As at 30 September 2021, the Company had not been notified by any persons (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Rights to Acquire Shares or Debentures

Other than the Share Option Scheme as disclosed above, at no time during the nine months ended 30 September 2021 was the Company or any of its subsidiaries, or any of its fellow subsidiaries or any associated corporations, a party to any arrangement to enable the directors or chief executive of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Competing Businesses

During the nine months ended 30 September 2021, none of the directors, or any of their respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict of interests with the Group.

Code on Corporate Governance Practices

During the nine months ended 30 September 2021, the Board considers that the Company has complied with all the corporate governance codes (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules with the exception of Code Provisions A.2.1.

SUPPLEMENTARY INFORMATION (CONTINUED)

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The role of the chief executive officer was performed by Mr. Kwan Tek Sian ("Mr. Kwan"), who was also the chairman of the Company. The Board believes that with the support of the management, vesting the roles of both the Chairman and chief executive officer in Mr. Kwan can facilitate the execution of the Group's business strategies and increase effectiveness of its operation. In addition, the Board is also supervised by three independent non-executive Directors. The Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group as the Board assumes collective responsibility on the decision-making process of the Company's business strategies and operation. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Compliance of Code of Conduct for Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by our Company during the nine months ended 30 September 2021.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2021.

Audit Committee

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

The audit committee has reviewed the accounting principles and practices adopted by the Group and has discussed with the management regarding the auditing and financial reporting matters. The audit committee has discussed and reviewed the unaudited financial information and the third quarterly report for the nine months ended 30 September 2021.

As at the date of this report, the executive Director is Mr. Kwan Tek Sian; and the independent non-executive Directors are Mr. Tse Chi Shing, Mr. Tse Wai Hei and Mr. Tam Chak Chi.