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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)

**PROPOSED ISSUE OF 3.0% CONVERTIBLE BOND
IN THE PRINCIPAL AMOUNT OF HK\$5.0 MILLION
DUE 2030 UNDER GENERAL MANDATE**

PROPOSED ISSUE OF CONVERTIBLE BOND

On 13 April 2023 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe, and the Company has conditionally agreed to issue the Convertible Bond in the aggregate principal amount of HK\$5.0 million.

The Convertible Bond shall bear interest at the rate of 3.0% per annum. Subject to the Company's election at any time to repay to the Bondholder the principal amount of the Convertible Bond together with outstanding interest for cancellation of the Convertible Bond, the Bondholder shall have the right to convert on the Bond Maturity Date the Convertible Bond held by the Bondholder in whole at the Conversion Price of HK\$1.80 per Conversion Share.

A maximum of 2,777,777 Conversion Shares would be in issue and allotted upon full conversion of the Convertible Bond at the Conversion Price, which represents: (i) approximately 0.77% of the existing total number of Shares in issue; and (ii) approximately 0.77% of the total number of Shares in issue as enlarged by the allotment and issuance of the Conversion Shares (assuming there is no other change in the total number of Shares from the date of this announcement up to the issue of the Conversion Shares).

The gross proceeds from the issue of the Convertible Bond will be in aggregate approximately HK\$5.0 million. The net proceeds after deducting all relevant costs and expenses of the issue of the Convertible Bond are estimated to be approximately HK\$4.9 million. The Company intends to utilize the net proceeds to be raised from the issue of the Convertible Bond for general working capital.

The Conversion Shares will be issued and allotted under the General Mandate. Accordingly, the issue of the Conversion Shares will not be subject to the approval of the Shareholders. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Conversion Shares.

Completion is subject to satisfaction of the condition precedent under the Subscription Agreement. As the issue of the Convertible Bond may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

PROPOSED ISSUE OF CONVERTIBLE BOND

On 13 April 2023 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe, and the Company has conditionally agreed to issue the Convertible Bond in the aggregate principal amount of HK\$5.0 million on the principal terms and conditions set out below.

THE SUBSCRIPTION AGREEMENT

Set out below is a summary of the principal terms of the Subscription Agreement:

Date

13 April 2023 (after trading hours)

Parties

Issuer : the Company

Subscriber : Mr. Song Kaiqing

As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscriber is a third party independent of and not connected with the Company and its connected persons.

Subject matter

Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the Convertible Bond in the principal amount of HK\$5.0 million.

Conditions precedent

Completion is conditional upon:

- (i) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which neither the Company nor the Subscriber shall reasonably object) the listing of, and permission to deal in the Conversion Shares; and
- (ii) the Company having obtained all necessary consents and approvals required to be obtained on the part of the Company in respect of the issue of the Convertible Bond and the Conversion Shares pursuant to the Subscription Agreement.

The Company has undertaken to the Subscriber to use its reasonable endeavours to procure that the conditions precedent above are fulfilled as early as practicable and in any event not later than 4:00 p.m. on the Long Stop Date.

The Subscriber may, at its absolute discretion, waive the whole or any part of the condition (ii) above. In the event that not all the conditions precedent have been fulfilled or waived by 4:00 p.m. on the Long Stop Date, the Subscription Agreement shall terminate, lapse and be of no further effect. The Company and the Subscriber shall be released from all obligations thereunder and neither party shall have any claim against the other for any costs or losses, save in respect of any antecedent breaches.

Completion

Subject to fulfilment (or waiver) of the conditions precedent, Completion shall take place on the Completion Date (at such place and time as agreed by the Company and the Subscriber).

PRINCIPAL TERMS OF THE CONVERTIBLE BOND

The principal terms of the Convertible Bond, which have been negotiated between the Company and the Subscriber on an arm's length basis, are summarised as follows:

Issuer	:	The Company
Principal Amount	:	Up to HK\$5.0 million
Issue Price	:	The Convertible Bond shall be subscribed at a price equal to 100% of the principal amount of the Convertible Bond of up to HK\$5.0 million.
Status	:	The Convertible Bond constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and rank at least pari passu and rateably without preference (with the exception of obligations in respect of taxes and certain other statutory exceptions) equally with all other present and future unsubordinated and unsecured obligations of the Company.
Maturity Date	:	The 7th anniversary of the Issue Date (which shall be a Business Day, and if not, the Business Day immediately following).
Interest Rate	:	The Convertible Bond shall bear interest at the rate of 3.0% per annum and computed on the basis of a 365-day year and the actual number of days elapsed in respect of the period from and including the Issue Date and including the Bond Maturity Date.

Redemption : *Redemption upon maturity*

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company may elect to issue the Conversion Shares to the Bondholder as conversion of the Convertible Bond or redeem each Convertible Bond then outstanding at a value equal to the aggregate principal amount then outstanding in cash plus interest of 3.0% per annum calculated from the Issue Date up to the Bond Maturity Date (to be settled on or before the third Business Day after the Bond Maturity Date). For the avoidance of the doubt, no interest is payable on any amount of the Convertible Bond previously converted into Shares.

Redemption upon event of default

On the occurrence of any event of default, unless the Company elects to repay the Bondholder in cash, all the Convertible Bond then outstanding will be redeemable by the Bondholder at a value equal to the aggregate of the principal amount outstanding under the Convertible Bond by issuing Shares to the Bondholder at the Conversion Price, subject to and upon compliance with the terms and conditions of the Convertible Bond and all regulatory requirements (including without limitation the Takeovers Code and the GEM Listing Rules).

Early Redemption : The Company shall have the right, as from the Issue Date up to the Bond Maturity Date, to early redeem the Convertible Bond partly or fully, by giving four (4) Business Days' prior notice in writing to the Bondholder at a redemption price equivalent to the principal amount of the Convertible Bond being redeemed plus accrued interest of 3.0% per annum, calculated from the Issue Date up to and including the date of early redemption. The principal amount to be redeemed each time should be in multiples of HK\$0.1 million (except for the remaining odd amount).

Conversion Price : The Conversion Price shall initially be HK\$1.80 per Share, subject to adjustment under the terms and conditions of the Convertible Bond set out below:

- (a) capitalisation issue, consolidation, subdivision or reclassification;
- (b) scrip dividend;
- (c) capital distribution;
- (d) cash dividend;
- (e) offer to holders of Shares to subscribe for new Shares at a price less than eighty (80%) per cent. of the current market price;
- (f) issue of new Shares for securities convertible or exchangeable into Shares in discount where the total effective initially receivable for such securities is less than eighty (80%) per cent. of the current market price; and
- (g) issue wholly for cash any Shares at a price less than eighty (80%) per cent. of the current market price.

No adjustment will be made to the Conversion Price, including but not limited to when Shares or other securities (including rights or options) are issued, offered or granted to employees (including directors) of the Company or any of its subsidiaries pursuant to any share option scheme of the Company.

No adjustment will be made to (a) an issue of fully paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon exercise of any rights (including any conversion of the Convertible Bond or any other convertible bonds) to acquire Shares, or (b) an issue of fully paid Shares upon the exercise of any warrants, if any, of the Company, or (c) an issue of fully paid Shares upon the exercise of any subscription rights relating to Shares.

Every adjustment of the Conversion Price shall be certified in writing by approved independent financial advisors or the auditors of the Company.

Conversion Rights and Conversion Period : Subject to and upon compliance with the terms and conditions of the Convertible Bond and all regulatory requirements (including without limitation the Takeovers Code and the GEM Listing Rules), and subject to the Company's election at any time to repay to the Bondholder the principal amount of the Convertible Bond together with outstanding interest for cancellation of the Convertible Bond, the Bondholder shall have the right to convert on the Bond Maturity Date the Convertible Bond held by the Bondholder in whole, calculated for such conversion to be the greatest number of Shares, disregarding fractions, obtainable by dividing the aggregate principal amount of the Convertible Bond to be converted, by the Conversion Price applying at the relevant time, determined as provided in the terms and conditions of the Convertible Bond, in effect on the Conversion Date.

Events of Default : Without prejudice to the other provisions of the terms and conditions of the Convertible Bond, following the occurrence of any of the following events if a Bondholder, by notice in writing to the Company given whilst the relevant default mentioned below shall be continuing, shall demand in writing redemption of the Convertible Bond held by such Bondholder, the Convertible Bond shall become redeemable as if the date of the said notice given by the Bondholder were the Bond Maturity Date:–

- (a) if the Company fails to pay the principal amount of the Convertible Bond or deliver any Share following conversion of the Convertible Bond pursuant to the terms and conditions of the Convertible Bond and (except where such failure is not capable of remedy) such non-payment shall continue for ten (10) Business Days after written notice of such default shall have been given to the Company by the Bondholder;

- (b) if there is a material default in the performance or observance by the Company or any of its Material Subsidiaries of any obligations set out in the terms and conditions of the Convertible Bond and (except where such failure is not capable of remedy) such default shall continue for ten (10) Business Days after written notice of such default shall have been given to the Company by the Bondholder;
- (c) if an order is made or an effective resolution is passed for winding up, liquidation or dissolution of the Company or any of its Material Subsidiaries;
- (d) if the holder of any encumbrance takes possession or a receiver is appointed of the whole or material part of the assets or undertaking of the Company and of its Material Subsidiaries;
- (e) if the Company or any of its Material Subsidiaries is unable to fulfil any of its obligations for or in respect of its financial indebtedness as and when they fall due or the Company or any such subsidiary shall initiate or consent to proceedings relating to itself under any applicable bankruptcy, reorganisation or insolvency law or make an assignment for the benefit of, or enter into any composition with, its creditors;
- (f) if the trading of the Shares on the Stock Exchange is withdrawn or suspended other than for a temporary suspension of trading for a period of not more than 30 consecutive Business Days;
- (g) if it shall become unlawful for the Company to perform all or any of its obligations under the Convertible Bond or the terms and conditions of the Convertible Bond or the Convertible Bond shall for any reason cease to be in full force or effect or shall be declared to be void or illegal by any court of competent jurisdiction; and

- (h) if there are any litigation, arbitration, prosecution or other legal proceedings outstanding for the time being against the Company or any of its Material Subsidiaries, or any litigation, arbitration, prosecution or other legal proceedings involving such amount are threatened against the Company or any of its subsidiaries, which may have a significant financial impact on the Group and/or may have a material adverse effect on the operations or the financial position of the Group taken as a whole.

The Company shall forthwith on becoming aware of any such event as is mentioned above give notice in writing thereof to the Bondholder.

Listing : No application will be made for a listing of the Convertible Bond.

Transferability : The Convertible Bond shall be freely transferable, subject to compliance of the following restrictions and procedures:

- (a) between the Issue Date and the Bond Maturity Date, the Convertible Bond shall not be transferable, dealt with or otherwise encumbered, save and except with the giving of prior notice to, and obtaining written consent from, the Company. The transfer (or encumbrance) notice must contain all details of the intended transfer or encumbrance and be signed by both the transferor (or encumbrancer) and the transferee (or encumbrancee).
- (b) if the Company consents to a transfer, the Convertible Bond would then be transferable by the Bondholder in whole amounts or multiples of units of principal amount of HK\$0.1 million to the named transferee stipulated in the transfer notice within 30 days. Where the Company consents to any transfers of or creation of encumbrance over the Convertible Bond prior to the Bond Maturity Date, the transferee is deemed to have given an unconditional and irrevocable undertaking of the Company to be bound by the terms and conditions of the Convertible Bond.

Voting Rights : The Convertible Bond or the certificate (in registered form) given under the seal of the Company evidencing the title of each Bondholder to the Convertible Bond(s) it holds shall not confer on the Bondholder(s) the right to vote at a general meeting of the Company.

The Board considers that the terms and conditions of the Convertible Bond and the Subscription Agreement, which were arrived at after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Conversion Price

The Conversion Price of HK\$1.80 per Conversion Share represents:

- (i) a discount of approximately 1.64% to the closing price of HK\$1.83 per Share as quoted on the Stock Exchange on 12 April 2023, being the Last Trading Day;
- (ii) a premium of approximately 3.81% to the average of the closing price of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$1.73 per Share; and
- (iii) a premium of approximately 8.17% over the average of the closing price of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$1.66 per Share.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber which had taken into account, among other things, the market condition, the prevailing market price of the Shares and the financial conditions, performance and business prospects of the Group. The Directors consider the Conversion Price is fair and reasonable and in the interests of the Company and Shareholders as a whole.

The Conversion Shares

As at the date of this announcement, the Company had 360,274,000 Shares in issue. A maximum of 2,777,777 Conversion Shares would be in issue and allotted upon full conversion of the Convertible Bond at the Conversion Price, which represents:

- (i) approximately 0.77% of the existing total number of Shares in issue; and
- (ii) approximately 0.77% of the total number of Shares in issue as enlarged by the allotment and issuance of the Conversion Shares upon the full conversion of the Convertible Bond at the Conversion Price without adjustment (assuming there is no other change in the total number of Shares from the date of this announcement up to the issue of the Conversion Shares).

The maximum aggregate nominal value of the Conversion Shares (upon exercise in full of the Conversion Rights) will be HK\$277,778 based on the nominal value of HK\$0.1 per Share.

Ranking

Upon conversion of the Convertible Bond, the Conversion Shares will be issued and allotted fully paid and will rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of allotment and issuance of the Conversion Shares.

MANDATE TO ISSUE THE CONVERSION SHARES

The Conversion Shares will be allotted and issued under the General Mandate, which has been granted to the Directors pursuant to an ordinary resolution passed by the Shareholders at the annual general meeting of the Company convened and held on 30 June 2022 to allot and issue up to 71,072,000 new Shares, representing 20% of the total number of Shares in issue on the date of the passing of the relevant ordinary resolution.

As at the date of this announcement, 4,914,000 Shares have been allotted and issued pursuant to the General Mandate upon completion of the placing of Shares by Forwin Securities Group Limited as placing agent to not less than six places on 19 December 2022.

The remaining balance of the General Mandate as at date of this announcement is 66,158,000 Shares. Accordingly, the issue of the Conversion Shares is not subject to further approval of the Shareholders.

APPLICATION FOR LISTING

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Conversion Shares.

REASONS FOR AND BENEFITS OF THE ISSUE OF THE CONVERTIBLE BOND

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

The Directors consider that the issue of the Convertible Bond represents an opportunity to raise capital for the Company. The Directors are of the view that the issue of the Convertible Bond will strengthen the financial position and liquidity of the Group and provide funding to the Group for general working capital. The issue of the Convertible Bond is an appropriate means of raising capital for the Group since it will not have an immediate dilution effect on the shareholding of the existing Shareholders and if the Company elects to issue the Conversion Shares to the Bondholder, the Shareholder base of the Company will be broadened.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Subscription Agreement (including the issue of the Convertible Bond and the allotment and issue of the Conversion Shares under the terms and conditions of the Convertible Bond) are arrived at after arm's length negotiation, on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds from the issue of the Convertible Bond will be in aggregate approximately HK\$5.0 million. The net proceeds after deducting all relevant costs and expenses of the issue of the Convertible Bond are estimated to be approximately HK\$4.9 million. The Company intends to utilize the net proceeds to be raised from the issue of the Convertible Bond for general working capital.

The net price per Conversion Share based on the above net proceeds is approximately HK\$1.76 per Conversion Share.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the full conversion of the Convertible Bond at the Conversion Price without adjustment (assuming there is no other change in the total number of Shares from the date of this announcement up to the issue of the Conversion Shares):

	As at the date of this announcement		Immediately after the full conversion of the Convertible Bond at the Conversion Price without adjustment	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Lui Yu Kin	72,252,000	20.05	72,252,000	19.90
The Bondholder(s)	–	–	2,777,777	0.77
Other Public Shareholders	288,022,000	79.95	288,022,000	79.33
Total	<u>360,274,000</u>	<u>100</u>	<u>363,051,777</u>	<u>100</u>

Notes:

1. Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

EQUITY FUND-RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Apart from the fund-raising activities disclosed below, the Company has not conducted any equity fund-raising activities in the past twelve-month period immediately preceding the date of this announcement.

Date of announcement	Fund-raising activity	Net proceeds	Intended use of net proceeds	Actual use of net proceeds
19 December 2022	Placing of 4,914,000 new placing shares under General Mandate at the placing price of HK\$0.73 per placing share	HK\$3,400,000	General working capital	The amount of HK\$3,400,000 were fully utilised as general working capital.

INFORMATION ON THE PARTIES

Information on the Company and the Group

The Company is a company incorporated in the Cayman Islands with limited liability and the principal activity of the Company is investment holding. The Group is principally engaged in the provision of interior design and fit out solutions as well as overall project management in Hong Kong.

Information on the Subscriber

The Subscriber is an individual who is a merchant principally engaged the business of supplying printing materials and equipment and Polyvinyl Chloride (PVC) and light-emitting diode (LED) products.

Completion is subject to satisfaction of the condition precedent under the Subscription Agreement. As the issue of the Convertible Bond may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meaning set out below unless the context requires otherwise:

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Bondholder”	the holder of the Convertible Bond(s) from time to time
“Bond Maturity Date”	the 7th anniversary of the Issue Date (which shall be a Business Day, and if not, the Business Day immediately following)
“Business Day”	a day on which the Stock Exchange is open for the business of dealing in securities

“Company”	AL Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM of the Stock Exchange (stock code: 8360)
“Completion”	completion of the subscription of the Convertible Bond in accordance with the terms and conditions of the Subscription Agreement
“Completion Date”	the 5th Business Day after the date on which all the conditions precedent to Completion have been satisfied or (as the case may be) waived, or such other date as the Company and the Subscriber may agree in writing
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Conversion Date”	the date on which the Conversion Rights are exercised
“Conversion Price”	the price per Conversion Share at which the Conversion Shares will be issued upon conversion of the Convertible Bond which will initially be HK\$1.80 per Share (subject to adjustment)
“Conversion Rights”	the rights attached to the Convertible Bond(s) to convert the same or a part thereof into Conversion Shares
“Conversion Share(s)”	the Share(s) to be issued by the Company upon exercise by the Bondholder of the Conversion Rights
“Convertible Bond(s)”	the convertible bond(s) in the aggregate principal amount up to HK\$5.0 million to be issued by the Company to the Subscriber subject to the provisions of the terms and conditions of the Convertible Bond
“Director(s)”	the director(s) of the Company
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange

“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution passed by the Shareholders at the annual general meeting of the Company convened and held on 30 June 2022 to issue and allot up to 71,072,000 new Shares, representing 20% of the total number of Shares in issue on the date of the passing of the relevant ordinary resolution
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Issue Date”	the day on which the Convertible Bond are first issued under the terms and conditions of the Convertible Bond, being the date of the first issue of the Convertible Bond
“Last Trading Day”	12 April 2023, being the last trading day of the Shares prior to the date of the Subscription Agreement
“Long Stop Date”	31 July 2023 or such later date as the Subscriber and the Company may agree in writing
“Material Subsidiary”	a subsidiary of the Company the value of such subsidiary’s total assets, profits and revenue represent 50% or more of (on a consolidated basis) the total assets, profits and revenue of the Group
“Subscriber”	Mr. Song Kaiqing
“Subscription Agreement”	the conditional subscription agreement dated 13 April 2023 entered into between the Company and the Subscriber in relation to the issue of the Convertible Bond
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.1 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers
“%”	per cent.

By order of the Board
AL Group Limited
Chan Hung Kai
Chairman and Executive Director

Hong Kong, 13 April 2023

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Chan Hung Kai (Chairman), Mr. Wong Kin Yeung and Mr. Kwan Tek Sian; and three independent non-executive Directors, namely, 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 of the Stock Exchange’s website at <http://www.hkexnews.hk> for at least 7 days from the date of its publication and on the Company’s website at www.AL-Grp.com.