



AL GROUP LIMITED
利駿集團(香港)有限公司
(Incorporated in the Cayman Islands with limited liability)
Stock Code : 8360



THIRD QUARTERLY REPORT 2023

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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 (i) interior design and fit out solutions as well as overall project management in Hong Kong; (ii) financial services and (iii) catering services.

Design and Fit out services

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 2023, the total revenue decreased by approximately 63.9% and the number of projects decreased by 4.5% over the same period in 2022. The average revenue per project decreased by approximately 61.7% from the same period in 2022 to approximately HK\$0.88 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 2023 respectively and their comparative figures:

– In terms of number of Projects*

	For the nine months ended		
	30 September	2022	Change
	2023		
Design and fit out/Design only			
Office	20	22	(9.1)%
Commercial	2	15	(86.7)%
Residential	20	7	185.7%
Total	42	44	(4.5)%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

– In terms of Revenue*

In HK\$' million	For the nine months ended		
	30 September	2022	Change
	2023		
Design and fit out/Design only			
Office	22.4	31.8	(29.6)%
Commercial	8.8	67.4	(86.9)%
Residential	5.9	3.6	63.9%
Total	37.1	102.8	(63.9)%

– Average Revenue per Project*

In HK\$' million	For the nine months ended		
	30 September	2022	Change
	2023		
Revenue	37.1	102.8	(63.9)%
Number of projects	42	44	(4.5)%
Average revenue per project	0.88	2.3	(61.7)%

* 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	2022
	2023	
Revenue	47.6	103.5
Gross Profit (Note 1)	13.7	14.3
Gross Profit Margin	28.8%	13.8%
Adjusted EBITDA (Note 2)	(15.7)	(2.0)
Loss for the period attributable to owners of the Company	(16.3)	(4.1)

Note 1: The Group's gross profit represents revenue less cost of sales and services.

Note 2: The Group's adjusted EBITDA represents earnings or losses before finance interest income and cost, other gains/losses, excluding impairment loss on trade receivables, net, income tax, depreciation of property, plant and equipment and right-of-use assets (2022: finance interest income and cost, other gains/losses, excluding written off and impairment loss on trade receivables, net, 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 2023, the Group's revenue decreased when compared to the same period in 2022. The Group's revenue amounted to approximately HK\$47.6 million, representing an decrease of approximately 54.0% from the same period in 2022.

The Group's gross profit for the nine months ended 30 September 2023 amounted to approximately HK\$13.7 million, representing a decrease of approximately 4.2% over the same period in 2022. Gross profit margin increased from approximately 13.8% to approximately 28.8%, which were mainly due to the effective cost control adopted by the management as well as achieving performance of catering services.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's total operating expenses (Note 3) for the nine months ended 30 September 2023 were approximately HK\$33.9 million when compared to approximately HK\$18.2 million for the same period in 2022.

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 2023, the Group's adjusted EBITDA amounted to approximately HK\$-15.7 million as compared to approximately HK\$-2.0 million for the same period in 2022, mainly driven by the effects of the decrease 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\$16.3 million for the nine months ended 30 September 2023 when compared to a loss attributable to owners of the Company of approximately HK\$4.1 million for the same period in 2022. Besides the effect of decrease in the overall gross profit mentioned above, such change was mainly attributable to an increase on total operating expenses for the nine months ended 30 September 2023 when compared to the same period in 2022.

Liquidity, Financial Resources and Capital Structure

The Group practiced prudent financial management and maintained a strong and sound financial position during the nine months ended 30 September 2023. As of 30 September 2023, the Group had cash and cash equivalents of approximately HK\$24.1 million (31 December 2022: approximately HK\$14.5 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.0 times as at 30 September 2023 (31 December 2022: approximately 0.9 times).

As at 30 September 2023, the Group had total liabilities of approximately HK\$103 million (31 December 2022: approximately HK\$70.3 million) which mainly comprise of bond payable, trade and other payables, contract liabilities, amount due to non-controlling interest, income tax payable, lease liabilities and borrowings.

As at 30 September 2023, the gearing ratio, expressed as a percentage of interest-bearing debt over total assets was 51.0% (31 December 2022: 30.2%). It was mainly resulted by the increase in carrying amount of the bond. The management will timely monitor the financial position of the Group and improve the financial position in a timely manner.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The shares of the Company were listed on the GEM Board of the Stock Exchange on 12 July 2016. As at 30 September 2023, the Company's total number of issued shares was 360,274,000 at HK\$0.1 each (31 December 2022: 360,274,000 at HK\$0.1 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 2023, the Group had paid a refundable deposit of HK\$179,000 (31 December 2022: HK\$966,000) 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\$299,000 (31 December 2022: HK\$1,610,000) which remained outstanding as at 30 September 2023. 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.

On 8 November 2023, ACE Architectural and Interior Design Limited ("ACE"), a non wholly owned subsidiary of the Company was ordered to be wound up by the High Court of Hong Kong in HCCW347/2023 ("Winding Up Order").

The aggregate amount of the debt in relation to the Winding Up Order is HK\$2,358,000 which was consultant fee and contractual sum in relation to a project of ACE.

The Board of the Directors of the Company is of the view that the Group has sufficient financial resources to satisfy the debt in relation to the Winding Up Order. The Company is in the course of seeking legal advice for determining the possible actions in respect of the Winding Up Order to protect the interests of the Company and its shareholders as a whole.

Details are set out in the announcement of the Company dated 8 November 2023.

Save as disclosed herein, the Group has no other material contingent liabilities (31 December 2022: Nil) and any material capital commitments as at 30 September 2023 (31 December 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2023 (2022: Nil).

Material Acquisitions and Disposal of Subsidiaries and Future Plans for Material Investments

On 21 March 2023, a wholly-owned subsidiary of the Company, Inno Chase Limited (“Inno Chase”), entered into an agreement with Surich Capital Holdings Limited (“Surich Capital”), under which the Group has agreed to acquire 34% equity interest in Surich Asset Management Limited (“Surich Asset Management”), Surich Asset Management is principally engaged in the provision of advisory on securities and asset management services. Pursuant to the acquisition agreement, the aggregate consideration for the acquisition amounted to HK\$500,000, which was satisfied by issue of promissory note by the Company with the principal amount of HK\$500,000. Completion of the acquisition of 34% equity interest in Surich Asset Management took place on 21 March 2023. Details of the transaction were set out in the Company’s announcement dated 21 March 2023.

Save for the above acquisitions and as disclosed elsewhere in this report, there were no significant investments, material acquisitions or disposals of subsidiaries and affiliated companies during the period ended 30 September 2023.

Saved as disclosed in this report, there was no future plan for material investments or capital assets as at 30 September 2023.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Significant Investments Held

As at 30 September 2023, the Group held approximately HK\$2.1 million of equity investments which were classified as financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. Details of the significant listed equity investments are as follows:

			Gain/(loss) on change in fair value HK\$'000	Market value HK\$'000	Approximate percentage of equity investment %	Approximate percentage to the total asset %	Approximate percentage to the interest in the respective investments as at 30 September 2023 %	Realised loss on investment HK\$'000
HSBC Holdings plc (0005.hk)	1	England	347	1,627	78.0	2.1	<0.01	-
Geely Automobile Holdings Limited (0175.hk)	2	Cayman Islands	(10)	462	22.0	0.6	<0.01	-
			337	2,089	100.0	2.73		-

Notes:

1. HSBC Holdings plc (HSBC) is the banking and financial services company. Dividend of approximately HK\$89,000 was received during the period.
2. Geely Automobile Holdings Limited (0175.hk) is principally engaged in the research, production, marketing and sales of sedans and related automobile components in the PRC. No dividend was received during the period.

In view of the recent volatile in the stock market, the Board will adopt cautious measures to manage the Group's investment portfolio with an aim to provide positive return to the Group in the near future.

Save as disclosed herein and except for investment in subsidiaries, the Group did not have any significant investment in equity interest as at 30 September 2023.

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 2023 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 2023

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	3	20,309	38,655	47,587	103,467
Other income	4	51	201	877	446
Other gains/(losses)	5	(4)	–	1,252	(768)
Cost of sales and services		(12,522)	(31,416)	(33,936)	(89,190)
Employee benefit expenses		(7,237)	(4,046)	(20,361)	(12,537)
Other expenses		(6,268)	(2,148)	(13,500)	(5,695)
Operating (loss)/profit		(5,671)	1,246	(18,081)	(4,277)
Finance costs		(2)	(309)	(799)	(706)
(Loss)/profit before tax		(5,673)	937	(18,880)	(4,983)
Income tax expense	6	–	–	–	–
(Loss)/profit for the period		(5,673)	937	(18,880)	(4,983)
(Loss)/profit for the period attributable to:					
Owners of the Company		(4,017)	882	(16,339)	(4,141)
Non-controlling interests		(1,656)	55	(2,541)	(842)
		(5,673)	937	(18,880)	(4,983)

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 2023

	Three months ended 30 September		Nine months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Other comprehensive income/(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	9	(274)	337	(149)
Other comprehensive income/(expenses) for the period, net of tax	9	(274)	337	(149)
Total comprehensive (expenses)/income for the period	(5,664)	663	(18,543)	(5,132)
Total comprehensive (expenses)/income for the period attributable to:				
Owners of the Company	(4,008)	608	(16,002)	(4,290)
Non-controlling interests	(1,656)	55	(2,541)	(842)
	(5,664)	663	(18,543)	(5,132)
	HK cents	HK cents	HK cents	HK cents
(Loss)/profit per share				
Basic	(1.11)	0.25	(4.54)	(1.17)
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 2023

	Attributable to owners of the Company							Total	Non-controlling interest	Total
	Share capital	Share premium	Other reserve	Investment revaluation reserve	Share option reserve	Convertible bond reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2023	36,027	134,917	5,922	(370)	150	-	(167,695)	8,951	(24,525)	(15,574)
Loss for the period	-	-	-	-	-	-	(16,339)	(16,339)	(2,541)	(18,880)
Other comprehensive expense										
Gain on change in fair value of financial assets at fair value through other comprehensive income	-	-	-	337	-	-	-	337	-	337
Total comprehensive expense for the period	-	-	-	337	-	-	(16,339)	(16,002)	(2,541)	(18,543)
Recognition of equity-settled share-based payments	-	-	-	-	4,297	-	-	4,297	-	4,297
Recognition of equity component of convertible bond	-	-	-	-	-	2,234	-	2,234	-	2,234
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	463	463
Capital injection of a subsidiary	-	-	-	-	-	-	-	-	6	6
Capital contribution to a subsidiary from non-controlling interests	-	-	-	-	-	-	-	-	963	963
At 30 September 2023	36,027	134,917	5,922	(33)	4,447	2,234	(184,034)	(520)	(25,634)	(26,154)
At 1 January 2022	35,536	131,924	5,922	(414)	150	-	(149,784)	23,334	(21,593)	1,741
Loss for the period	-	-	-	-	-	-	(4,141)	(4,141)	(842)	(4,983)
Other comprehensive expense										
Loss on changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	(149)	-	-	-	(149)	-	(149)
Total comprehensive expense for the period	-	-	-	(149)	-	-	(4,141)	(4,290)	(842)	(5,132)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	22	22	(85)	(63)
At 30 September 2022	35,536	131,924	5,922	(563)	150	-	(153,903)	19,066	(22,520)	(3,454)

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 22/F, China Hong Kong Tower, 8-12 Hennessy 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

2. Basis of preparation

The Unaudited Condensed Interim Financial Statements has been prepared on a going concern basis, notwithstanding that the Group had net current assets and net liabilities of approximately HK\$3,159,000 and HK\$26,154,000 as at 30 September 2023 respectively. In the opinion of the directors, the Group is able to operate as a going concern and has sufficient working capital to finance its operations to meet its financial obligations when they fall due for at least twelve months from the date of announcement of these condensed interim financial statements after taking into consideration the following:

- (a) The substantial shareholder of the Company, Mr. Lui Yu Kin, has agreed to provide financial support to the extent of HK\$7,500,000 to the Company, if required, to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future.
- (b) The executive director and Chairman of the Company, Mr. Chan Hung Kai, has agreed to provide financial support to the extent of HK\$7,500,000 to the Company, if required, to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future.
- (c) The Group is implementing various measures, such as optimising its overall sales network and undergoing effective cost control to improve the profit margin and operating cash flows of its business.
- (d) The Group will also continue to seek for other alternative financing and bank borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures.

Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying amounts of the Group's assets to their net realisable amounts, to provide for further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the condensed interim financial statements.

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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Design and fit out	11,497	38,436	37,115	102,764
Maintenance and aftersales services	212	219	1,666	703
Catering services	8,499	–	8,499	–
Financial services	101	–	307	–
	20,309	38,655	47,587	103,467

4. Other income

	For the three months ended 30 September		For the nine months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Dividend income from financial assets through other comprehensive income	21	–	89	37
Consultancy fee income	–	–	500	–
Sundry income	30	201	288	409
	51	201	877	446

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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Loss on change in fair value of financial assets at fair value through profit or loss – Net realised loss on disposal on listed securities	–	–	–	(115)
Impairment loss on trade receivables	(4)	–	(350)	(966)
Reversal of impairment loss on trade receivables	–	–	520	313
Gain on disposal of subsidiary	–	–	448	–
Gain on disposal of property, plant and equipment	–	–	634	–
	(4)	–	1,252	(768)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

6. Income tax expense

No provision for Hong Kong profits tax for the nine months ended 30 September 2023 and 30 September 2022 has been made in the condensed consolidated interim financial statements as the Group has no assessable profits both of these periods.

7. (Loss)/earnings 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	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
(Loss)/earnings attributable to owners of the Company (in HK\$'000)	(4,017)	882	(16,339)	(4,141)
Weighted average number of ordinary shares in issue ('000)	360,274	355,360	360,274	355,360
Basic (loss)/earnings per share (in HK cents)	(1.11)	0.25	(4.54)	(1.17)

Diluted (loss)/earnings per share

Diluted earnings/(loss) per share for the nine months ended 30 September 2023 and 30 September 2022 are not presented as the effects arising from exercise of the company's share options granted are anti-dilutive.

SUPPLEMENTARY INFORMATION

Share Option Scheme

The Company's share option scheme (the "Scheme") was conditionally adopted pursuant to a resolution passed by its sole shareholder on 15 June 2016 and become unconditional on 12 July 2016 for the purpose of attracting and retaining the best available personnel, to provide additional incentive to selected participants, including directors and eligible employees of the Group to promote the success of the business of the Group. The Scheme became effective on 15 June 2016 for a period of 10 years.

The subscription price of the options granted is the highest of (i) the closing price of the Company's shares on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date offer of grant; (iii) the nominal value of the share.

The maximum number of shares of the Company which may be issued upon exercise of all options granted under the Scheme or other schemes adopted by the Company must not in aggregate exceed 30% of its issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Company must not exceed 10% of the shares in issue upon the date on which the shares are listed and permitted to be dealt in the Stock Exchange.

SUPPLEMENTARY INFORMATION

(a) Share Option 2020

During the year ended 31 December 2020, options to subscribe 48,000,000 shares at the exercise price of HK\$0.043 per share were granted and accepted by the grantees (the "Share Option 2020"). These share options granted are fully exercisable at the date of acceptance.

Movements in the number of share options during the nine months ended 30 September 2023 and the year ended 31 December 2022 are as follows:

	Weighted average exercise price HK\$	Number of share options		
		Employees '000	Others '000	Total '000
At 1 January 2022 (Audited),				
31 December 2022 (Audited) and				
30 September 2023 (Unaudited)	0.363	947	–	947

The exercise price and exercise period of the share options outstanding as at 30 September 2023 and 31 December 2022 are as follows:

Number of options '000	Exercise price per share HK\$	Exercise period
947	0.363	9 October 2020 to 8 October 2030

SUPPLEMENTARY INFORMATION (CONTINUED)

(b) Share Option (2023)

During the nine months ended 30 September 2023, options to subscribe 21,930,000 shares at the exercise price of HK\$1.10 per share was granted and accepted by the grantees (the "Share Option 2023"). 21,600,000 share options granted are fully exercisable at the date of acceptance and 330,000 share options granted are fully exercisable from 19 January 2026.

Movements in the number of share options during the nine months ended 30 September 2023 and the year ended 31 December 2022 are as follows:

	Weighted average exercise price HK\$	Number of share options		
		Employees	Others	Total
		'000	'000	'000
At 1 January 2022 (Audited) and 31 December 2022 (Audited)	–	–	–	–
Granted during the period	1.100	21,600	516	22,116
Cancelled during the period	1.100	–	(186)	(186)
At 30 September 2023 (Unaudited)	1.100	21,600	330	21,930
Exercisable at 30 September 2023	1.100	21,600	330	21,930
Exercisable at 31 December 2022	–	–	–	–

SUPPLEMENTARY INFORMATION (CONTINUED)

The exercise price and exercise period of the share options outstanding as at the end of the reporting period are as follows:

30 September 2023			
Number of options	Exercise price per share	Exercise period	
'000	HK\$		
330	1.100	19 January 2026 to 18 January 2033	
21,600	1.100	19 January 2023 to 18 January 2033	

Inputs into the model	Options granted on 19 January 2023
Risk-free rate	2.94%
Expected volatility	25.00%
Dividend yield	0.00%
Expected life of options (year)	10
Share price of the Company's shares (HK\$ per share)	1.030

No other feature of the options granted was incorporated into the measurement of fair value.

Equity-settled share-based payments amounted to approximately HK\$4,297,000 has been recognised in profit or loss in respect of the current period regarding to share options granted by the Company.

At the end of the reporting period, the Company had approximately 22,877,000 (31 December 2022: 947,000) share options outstanding under the Scheme, which represents approximately 6.35% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the capital structure of the Company as at 30 September 2023, result in the issue of approximately 22,877,000 (31 December 2022: 947,000) additional ordinary shares of the Company which would give rise to the total proceeds of approximately HK\$24,467,000 (31 December 2022: HK\$344,000).

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 2023, 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 Shareholders and Other Persons' Interests and Short Positions in the Shares and Underlying Shares of the Company

So far as the Directors are aware, as at 30 September 2023, other than the Directors or chief executives of the Company whose interests or short positions are disclosed under the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and Its Associated Corporations" above, the following parties have interest or short position in the shares or underlying shares of the Company which have to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, and who were expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

Long Positions in Shares and Underlying Shares of the Company

Name of shareholder	Capacity/Nature of interests	Number of ordinary shares	Percentage of the Company's issue share capital as at 30 September 2023
Lui Yu Kin	Beneficial owner	68,496,000	19.01%

Saved as disclosed above, as at 30 September 2023, the Directors were not aware of any other person (other than the Directors or chief executives as disclosed in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and Its Associated Corporations" above) who had, or deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

SUPPLEMENTARY INFORMATION (CONTINUED)

Rights to Acquire Shares or Debentures

Other than the Share Option Scheme and as disclosed under the sections “Directors and Chief Executive’s Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any specific Undertaking of the Company or any other Associated Corporation” above, at no time during the nine months ended 30 September 2023 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 2023, 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 2023, 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.

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 2023.

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 2023.

SUPPLEMENTARY INFORMATION (CONTINUED)

Litigation

On 8 November 2023, ACE was ordered to be wound up by the High Court of Hong Kong in HCCW347/2023.

The aggregate amount of the debt in relation to the Winding Up Order is HK\$2,358,000 which was consultant fee and contractual sum in relation to a project of ACE.

The Board of the Directors of the Company is of the view that the Group has sufficient financial resources to satisfy the debt in relation to the Winding Up Order. The Company is in the course of seeking legal advice for determining the possible actions in respect of the Winding Up Order to protect the interests of the Company and its shareholders as a whole.

Details are set out in the announcement of the Company dated 8 November 2023.

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 2023.

As at the date of this report, the executive Directors are Mr. Chan Hung Kai (Chairman), Mr. Kwan Tek Sian and Mr. Wong Kin Yeung; and the independent non-executive Directors are Mr. Tse Chi Shing, Mr. Tse Wai Hei and Mr. Tam Chak Chi.