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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)

SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO
THE ANNUAL RESULTS ANNOUNCEMENT AND
THE ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

References are made to (i) the announcement of AL Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 28 March 2024 in relation to the audited annual results of the Group (the “**2023 Annual Results Announcement**”) for the year ended 31 December 2023 (“**FY2023**”); and (ii) the annual report of the Company for FY2023 (the “**2023 Annual Report**”) published on 28 March 2024.

In addition to the information disclosed in the 2023 Annual Results Announcement and the 2023 Annual Report, the board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to provide the shareholders and potential investors of the Company with additional information regarding the qualified opinion expressed by the auditors of the Company (the “**Auditors**”) on the consolidated financial statements of the Group for FY2023.

MATTERS LEADING TO THE AUDIT QUALIFICATION

As disclosed in the 2023 Annual Results Announcement and the 2023 Annual Report, the Auditors' opinion on the consolidated financial statements of the Group for FY2023 was modified in respect of the matters described in the paragraph headed "Basis for Qualified Opinion – Deconsolidation of a subsidiary" in the "Independent Auditor's Report" on pages 45 to 46 of the 2023 Annual Report (the "**Audit Qualification**").

Set out below is the additional information on the background of the deconsolidation (the "**Deconsolidation**") of ACE Architectural and Interior Design Limited ("**ACE**"), which was a non-wholly owned subsidiary of the Company prior to the Deconsolidation.

Background of the Deconsolidation

A winding-up petition (the "**Petition**") was first presented on 4 August 2023, and was amended and refiled on 24 October 2023, by the solicitors acting on behalf of a creditor (the "**Petitioner**") of ACE to the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "**High Court**") for the winding up of ACE under the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

The Petition stated that, as at the date thereof, ACE was indebted to the Petitioner in the sum of HK\$2,358,000 (the "**Debts**"). The Debts were in trade nature incurred in March and April 2023 arising from the rectification and fitting out works subcontracted by ACE (the "**Subcontracted Work**"), in its usual course of business, to the Petitioner. According to the management of ACE, there were disputes over the Debts due to the Petitioner's failure to provide the completion report, endorsed and certified by an engineer, to ACE upon completion of the Subcontracted Work. The completion report was one of the contractual deliverables to be provided by the Petitioner to ACE as specified in the contract entered into between ACE and the Petitioner in relation to the Subcontracted Work. However, despite the efforts of ACE in resolving such disputes through rounds of communication with the Petitioner, the Petitioner failed to issue the completion report but filed the Petition in August 2023.

On 30 October 2023, an *ex parte* summons of ACE and an affirmation of a director of ACE (the "**Affirmation**") were filed with the High Court, seeking leave for the ACE's director to appear in the proceedings on behalf of ACE. The Affirmation stated that ACE intended to contest the Petition, in particular, that ACE disputed the Debts. Regrettably, no order has been made on such summons and, despite the filing of the Affirmation, the ACE's director did not have leave to appear on behalf of ACE at the court hearing of the Petition to draw the attention of the Master of the High Court to the fact that ACE opposed the Petition.

At the court hearing held on 8 November 2023, the High Court made a winding-up order (the “**Order**”) against ACE. As a result of the Order, the Directors considered that the Group’s control over ACE had been lost on 8 November 2023 (the “**Deconsolidation Date**”).

MANAGEMENT’S POSITION AND BASIS ON MAJOR JUDGMENTAL AREAS

Basis of the judgement of the financial information of ACE and the corresponding gain on the Deconsolidation

During the period from 1 January 2023 to the Deconsolidation Date (the “**Relevant Period**”), the operational scale of ACE had become negligible. ACE generated the revenue of approximately HK\$3.4 million from three interior design and fitting out projects during the six months ended 30 June 2023. For the period from 1 July 2023 up to the Deconsolidation Date, the business of ACE had become inactive with nil revenue recognised given no progress on the ongoing projects.

The financial information of ACE for the nine months ended 30 September 2023, which has been consolidated in the third quarterly results of the Group for the same period, was prepared based on the then accounting books and records available to ACE (prior to the seizure by the Official Receiver on 10 November 2023). As there were no material changes in the business activities of ACE subsequent to 30 September 2023 and up to the Deconsolidation Date, the management accounts of ACE for the Relevant Period had been compiled based on the financial information of ACE for the nine months ended 30 September 2023 with due adjustments (including but not limited to salary and depreciation) made to reflect the subsequent changes up to the Deconsolidation Date.

Based on the foregoing, the management of the Company (the “**Management**”) is of the view that (i) the results and cash flows of ACE for the Relevant Period and the carrying amounts of the assets and liabilities of ACE as at the Deconsolidation Date are fairly stated as the management accounts of ACE (which were prepared in accordance with the Hong Kong Financial Reporting Standards); and (ii) the gain on the Deconsolidation of approximately HK\$5.3 million is fairly derived based on the properly prepared management accounts of ACE. As at the date of approval of the consolidated financial statements of the Group for FY2023, the Directors were satisfied that the Group had applied the best estimates and judgement based on the information of ACE that were available to the Group.

ACTION PLAN OF THE COMPANY TO RESOLVE THE AUDIT QUALIFICATION

The Management has taken steps to closely monitor the legal proceedings concerning the Petition. Since coming to the knowledge of the Petition, the Management has held regular discussions with the management of ACE to gain a deeper understanding of their plans and steps for resolving the Petition and to keep abreast of the progress of the legal proceedings.

On the grounds that the Affirmation was not taken into account by the High Court and the Petition was not unopposed, ACE filed a notice of appeal against the Order (the “**Appeal**”) to the Court of Appeal of the High Court on 6 December 2023. At the time of filing of the notice of Appeal on 6 December 2023, the Board had undertaken a parallel effort to seek legal advice in evaluating the substantive legal merits. Failure to file the notice of Appeal within the 28-day time limit from the date of the Order would have resulted in ACE forfeiting its right to pursue such Appeal.

After due deliberation on the legal assessment, the Board has resolved not to proceed with the Appeal. Given (i) the insolvency of ACE with net liabilities of approximately HK\$65 million as at the Deconsolidation Date; (ii) the substantial requisite funding from the Group to remedy the insolvent condition of ACE; and (iii) the ongoing litigation time and costs associated with continued pursuit of the Appeal, the Board considers that the withdrawal of the Appeal represents the most prudent and beneficial course of action for the Company, and is in the interests of the Company and the shareholders of the Company.

To the best knowledge, information and belief of the Board, the Group had not provided any form of corporate guarantee or collateral to secure the external debts incurred by ACE. With no contingent liabilities incumbent upon the Group for ACE’s failure to repay those external debts, the Company considers that there will be no adverse impact on the financial position of the Group.

In an effort to resolve the Audit Qualification, the Management has also engaged in rounds of communication with the Auditors regarding the circumstances for removing the Audit Qualification.

The Company is given to understand from the Auditors that the matters arising from the Audit Qualification may give rise to the qualified audit opinion on the consolidated financial statements of the Group for the year ending 31 December 2024 (“**FY2024**”) owing to the comparability of the consolidated results of the Group for FY2024 to the comparative figures for FY2023. Notwithstanding, except for the comparative figures for FY2023, the matters which resulted in the Audit Qualification will have no effect on the Group’s consolidated statement of financial position as at 31 December 2024, consolidated statement of profit or loss and other comprehensive income for FY2024 and consolidated statement of cash flows

for FY2024. Accordingly, the Audit Qualification will no longer be carried forward to the accounting periods subsequent to 31 December 2024 and is expected to have no effect on the consolidated financial statements of the Group for the year ending 31 December 2025, irrespective of the status of the legal proceedings concerning the Petition (including the Appeal).

Based on the foregoing, the Auditors and the Board (including the audit committee of the Board) consider that the Company's plan is effective to resolve the Audit Qualification given the foreseeable timeline for the removal of the Audit Qualification.

The above additional information does not affect other information contained in the 2023 Annual Results Announcement and the 2023 Annual Report. Save as disclosed above, all other information in the 2023 Annual Results Announcement and the 2023 Annual Report remains unchanged.

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

Hong Kong, 9 July 2024

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Chan Hung Kai (Chairman), Mr. Chung Kar Ho Carol 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 Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited 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 website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk for at least seven days from the date of its publication and on the Company's website at www.AL-Grp.com.