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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)

**DISCLOSEABLE TRANSACTION IN RELATION TO
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
THE TARGET COMPANY INVOLVING THE ISSUE OF
CONSIDERATION SHARES UNDER GENERAL MANDATE**

THE ACQUISITION

The Board is pleased to announce that on 22 October 2024 (after trading hours), the Company, the Purchaser and the Vendor entered into the Agreement, pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares at the Consideration of HK\$8,000,000.

Subject to the Adjustments and the satisfaction of the profit guarantees provided by the Vendor, the Consideration shall be satisfied by the issue and allotment of a maximum of 14,285,714 Consideration Shares at the Issue Price of HK\$0.56 per Consideration Share by the Company to the Vendor under the General Mandate.

Upon Completion, the Group will be interested in the entire issued share capital of the Target Company and the Target Company will become an indirect wholly-owned subsidiary of the Company. Accordingly, the financial results of the Target Company will be consolidated into the accounts of the Company.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are more than 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

As the Completion is subject to fulfilment of certain conditions precedent set out in the Agreement and therefore may or may not proceed, Shareholders and investors are reminded to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on 22 October 2024 (after trading hours), the Company, the Purchaser and the Vendor entered into the Agreement, pursuant to which, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares at the Consideration of HK\$8,000,000.

Subject to the Adjustments and the satisfaction of the profit guarantees provided by the Vendor, the Consideration shall be satisfied by the issue and allotment of a maximum of 14,285,714 Consideration Shares at the Issue Price of HK\$0.56 per Consideration Share by the Company to the Vendor under the General Mandate.

THE AGREEMENT

The principal terms of the Agreement are set out below:

Date

22 October 2024 (after trading hours)

Parties

- (i) the Vendor (as vendor);
- (ii) the Purchaser (as purchaser); and
- (iii) the Company (as issuer).

The Vendor is an individual and a merchant. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

The Sale Shares represent the entire issued share capital of the Target Company.

Conditions Precedent

The Agreement is conditional upon the fulfilment (or waiver, as applicable) of the following conditions precedent:

- (i) the completion of the due diligence review and investigation on the Target Company (which includes but not limited to, the legal and financial due diligence review) conducted by the Company to its reasonable satisfaction;
- (ii) an appraisal report having been issued by a valuer to be appointed by the Company with an appraisal value of not less than HK\$8,000,000 for the Sale Shares;
- (iii) all necessary consents, authorisations, approval, licence, permission, order (or, as the case may be, relevant waiver or exemption) in connection with the Agreement and the transactions contemplated hereby having been obtained by the respective parties to the Agreement;
- (iv) the representations, warranties and undertakings provided by the Vendor set out in the Agreement remaining true, accurate and not misleading in any respect at Completion as if repeated at Completion and at all times between the date of the Agreement and Completion; and
- (v) the granting of the approval for the listing of, and permission to deal in, the Consideration Shares by the Listing Committee.

The Company may waive conditions (i) and/or (iv) above at its discretion. If the conditions precedent have not been satisfied (or, as the case may be, waived by Company) on or before 4:30 p.m. on the Long Stop Date, the Company shall not be bound to proceed with the purchase of the Sale Shares and the Agreement (other than the clauses relating to confidentiality, costs and governing law) shall from the Long Stop Date, become void and of no further effect and, save in respect of any antecedent breaches, all liabilities and obligations of the parties to the Agreement shall cease and determine provided that such termination shall be without prejudice to any rights or remedies of the parties thereto which shall have accrued prior to such termination.

Consideration

The Consideration of HK\$8,000,000 (subject to the Adjustments and the satisfaction of the profit guarantees provided by the Vendor) shall be satisfied by the issue and allotment of a maximum of 14,285,714 Consideration Shares by the Company to the Vendor in accordance with the following schedule:

- (i) the first instalment of HK\$1,000,000 shall be settled by the allotment and issue of 1,785,714 Consideration Shares at the Issue Price per Consideration Share by the Issuer to the Vendor (or his nominee(s)) within 14 Business Days upon issue of the Audited Report for FY2025, subject to the Adjustments (“**Batch 1 Consideration Shares**”);
- (ii) the second instalment of HK\$1,000,000 shall be settled by the allotment and issue of 1,785,714 Consideration Shares at the Issue Price per Consideration Share by the Issuer to the Vendor (or his nominee(s)) within 14 Business Days upon issue of the Audited Report for FY2026, subject to the Adjustments (“**Batch 2 Consideration Shares**”);
- (iii) the third instalment of HK\$1,000,000 shall be settled by the allotment and issue of 1,785,714 Consideration Shares at the Issue Price per Consideration Share by the Issuer to the Vendor (or his nominee(s)) within 14 Business Days upon issue of the Audited Report for FY2027, subject to the Adjustments (“**Batch 3 Consideration Shares**”);
- (iv) the fourth instalment of HK\$1,000,000 shall be settled by the allotment and issue of 1,785,714 Consideration Shares at the Issue Price per Consideration Share by the Issuer to the Vendor (or his nominee(s)) within 14 Business Days upon issue of the Audited Report for FY2028, subject to the Adjustments (“**Batch 4 Consideration Shares**”); and
- (v) the fifth instalment of HK\$4,000,000 shall be settled by the allotment and issue of 7,142,858 Consideration Shares at the Issue Price per Consideration Share by the Issuer to the Vendor (or his nominee(s)) within 14 Business Days upon issue of the Audited Report for FY2028, subject to the satisfaction of all profit guarantees provided by the Vendor for FY2025, FY2026, FY2027 and FY2028 as stated in the section headed “PROFIT GUARANTEE AND THE ADJUSTMENT ARRANGEMENT” below (the “**Batch 5 Consideration Shares**”).

The Consideration was arrived at based on normal commercial terms after arm’s length negotiations among the Company and the Vendor and was determined with reference to among others, (i) the preliminary valuation of 100% equity interest of the Target Company of HK\$9,400,000 as at 30 September 2024 (the “**Valuation**”) prepared by an independent valuer based on market approach; (ii) the Guaranteed Profits (as defined below) given by the Vendor; (iii) the business development and future prospects of the Target Company; and (iv) the reasons for and benefits of the Acquisition as stated under the section headed “Reasons for and benefits of the Acquisition” below.

The Consideration represents a discount of approximately 14.89% to the Valuation.

In view of the above, the Directors consider that the Consideration is fair and reasonable.

Completion

Completion shall take place at 4:30 p.m. on the Completion Date, or such date as the Parties may agree in writing.

Upon Completion, the Group will be interested in the entire issued share capital of the Target Company, which will become an indirect non-wholly-owned subsidiary of the Company. Accordingly, the financial results of the Target Company will be consolidated into the Company's accounts.

THE CONSIDERATION SHARES

The Consideration Shares will be allotted and issued at the Issue Price of HK\$0.56 each, credited as fully paid. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

The Issue Price:

- (i) is equivalent to the closing price per Share of HK\$0.56 as quoted on the Stock Exchange on 22 October 2024, being the date of the Agreement;
- (ii) is equivalent to the average closing price per Share of approximately HK\$0.56 as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the date of the Agreement; and
- (iii) represents a discount of approximately 1.75% to the average closing price per Share of approximately HK\$0.57 as quoted on the Stock Exchange for the ten consecutive trading days immediately preceding the date of the Agreement.

The Issue Price was arrived at after arm's length negotiations among the Company and the Vendor with reference to the prevailing market price of the Shares and the current market conditions. The Directors consider the Issue Price is fair and reasonable.

The Consideration Shares represent approximately 3.97% of the number of issued Shares as at the date of this announcement and represent approximately 3.81% of the number of issued Shares as enlarged by the allotment and issue of the Consideration Shares. The Consideration Shares will be allotted and issued under the General Mandate. As at the date of this announcement, no Share has been issued and allotted under the General Mandate. Accordingly, the issue of the Consideration Shares is within the limit of the General Mandate and is not subject to any approval by the Shareholders.

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

PROFIT GUARANTEE AND THE ADJUSTMENT ARRANGEMENT

The Vendor irrevocably and unconditionally guarantees to the Company that the Actual Profits for each of FY2025, FY2026, and FY2027 and FY2028 shall be no less than HK\$1,000,000 (the “**Guaranteed Profit(s)**”).

The number of the Consideration Shares to be issued shall be subject to the downward adjustment(s) in the following manner:

(i) FY2025

If the Actual Profit for FY2025 shall be less than the Guaranteed Profit, the Batch 1 Consideration Shares shall be adjusted downward as follows:

$$\frac{\text{(Actual Profit for FY2025} \div \text{Guarantee Profit for FY2025)}}{\times} \quad \text{Number of Batch 1 Consideration Shares}$$

* *round down to the nearest integer*

If the Target Company records net loss for FY2025, the Actual Profit shall be deemed to be zero (0). No upward adjustment will be made to the number of the Batch 1 Consideration Shares, even if the Actual Profit exceeds the Guaranteed Profit for FY2025.

(ii) FY2026

If the Actual Profit for FY2026 shall be less than the Guaranteed Profit, the Batch 2 Consideration Shares shall be adjusted downward as follows:

$$\frac{\text{(Actual Profit for FY2026} \div \text{Guarantee Profit for FY2026)}}{\times} \quad \text{Number of Batch 2 Consideration Shares}$$

* *round down to the nearest integer*

If the Target Company records net loss for FY2026, the Actual Profit shall be deemed to be zero (0). No upward adjustment will be made to the number of the Batch 2 Consideration Shares, even if the Actual Profit exceeds the Guaranteed Profit for FY2026.

(iii) FY2027

If the Actual Profit for FY2027 shall be less than the Guaranteed Profit, the Batch 3 Consideration Shares shall be adjusted downward as follows:

$$\frac{\text{(Actual Profit for FY2027} \div \text{Guarantee Profit for FY2027)}}{\times} \quad \text{Number of Batch 3 Consideration Shares}$$

* *round down to the nearest integer*

If the Target Company records net loss for FY2027, the Actual Profit shall be deemed to be zero (0). No upward adjustment will be made to the number of the Batch 3 Consideration Shares, even if the Actual Profit exceeds the Guaranteed Profit for FY2027.

(iv) **FY2028**

If the Actual Profit for FY2028 shall be less than the Guaranteed Profit, the Batch 4 Consideration Shares shall be adjusted downward as follows:

$$\frac{\text{(Actual Profit for FY2028} \div \text{Guarantee Profit for FY2028)}}{\times} \text{Number of Batch 4 Consideration Shares}$$

* *round down to the nearest integer*

If the Target Company records net loss for FY2028, the Actual Profit shall be deemed to be zero (0). No upward adjustment will be made to the number of the Batch 4 Consideration Shares, even if the Actual Profit exceeds the Guaranteed Profit for FY2028.

EFFECT ON THE SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the issue and allotment of the Consideration Shares in full:

Shareholders	As at the date of this announcement		Immediately upon Completion and the issue and allotment of the Consideration Shares in full	
	<i>Number of Shares</i>	<i>Approximately % (Note 4)</i>	<i>Number of Shares</i>	<i>Approximately % (Note 4)</i>
Substantial Shareholders				
Lui Yu Kin <i>(Note 1)</i>	80,104,000	22.23%	80,104,000	21.39%
Directors				
Chan Hung Kai <i>(Note 2)</i>	18,980,800	5.27%	18,980,800	5.07%
Chung Kar Ho Carol	3,492,000	0.97%	3,492,000	0.93%
Public Shareholders				
The Vendor	–	–	14,285,714	3.81%
Other Public Shareholders	257,697,200	71.53%	257,697,200	68.80%
Total	<u>360,274,000</u>	<u>100.00%</u>	<u>374,559,714</u>	<u>100.00%</u>

Notes:

1. Among 80,104,000 Shares, 9,154,000 Shares are held directly by Lu Yu Kin while 68,106,000 Shares and 2,844,000 Shares are respectively owned by Rich Rise Management Limited and Jantix Management Limited, which are companies incorporated in Hong Kong. The entire issued share capital of Rich Rise Management Limited and 88.2% of issued share capital of Jantix Management Limited are owned by Lui Yu Kin. As such, Lui Yu Kin is deemed to be interested in all the Shares owned by Rich Rise Management Limited and Jantix Management Limited.
2. Among 18,980,800 Shares beneficially owned by Mr. Chan Hung Kai, 39,600 Shares are owned by Ms. Sze Yee Fun Louisa, who is the spouse of Mr. Chan Hung Kai.
3. 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.

INFORMATION OF THE TARGET COMPANY

The Target Company is principally engaged in interior design and construction.

Since its founding in 2017, the Target Company has specialized in the commercial and residential sectors of Hong Kong, providing project-based services to both corporate and individual clients.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below are the financial information of the Target Company (i) for the year ended 31 March 2023 and (ii) for the year ended 31 March 2024:

	For the year ended 31 March 2024	For the year ended 31 March 2023
	(unaudited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	9,523	8,035
Net profit before taxation	205	210
Net profit after taxation	172	199

According to the unaudited financial information of the Target Company, it registered net assets of approximately HK\$1.84 million as at 30 September 2024.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company. The Group is 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 Acquisition will be beneficial to the Group to further expand the business scope and revenue stream of its principal business and is in line with the business development strategy of the Group. Upon Completion, the financial results of the Target Company will be consolidated into the financial statements of the Company. Since the Target Company has recorded profits for the two years ended 31 March 2023 and 31 March 2024, the Directors believe that the Target Company will contribute positively to the financial performance of the Group.

As the entire Consideration will be satisfied by allotment and issue of the Consideration Shares, immediate cash flow burden of the Group will be reduced. Also, the Guaranteed Profits and the adjustment mechanism for the Consideration will provide adequate protection to the Group regarding the risk of the Target Company not sustaining its initial performance and growth.

Based on the foregoing, the Directors consider that the terms of the Acquisition are fair and reasonable, on normal commercial terms and the Acquisition is in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition exceeds 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements, but is exempt from shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As the Completion is subject to fulfilment of certain conditions precedent set out in the Agreement and therefore may or may not proceed, Shareholders and investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context specifies otherwise, the following defined expressions have the following meanings:

“Acquisition”	the proposed acquisition of the Sale Shares pursuant to the terms and conditions of the Agreement
“Actual Profit(s)”	the audited net profit(s) after tax of the Target Company as shown on the Audit Report
“Adjustment(s)”	the downward adjustment(s) to be made to the Consideration for the Acquisition, as detailed in the paragraph headed “PROFIT GUARANTEE AND THE ADJUSTMENT ARRANGEMENT” in this announcement
“Agreement”	the sale and purchase agreement dated 22 October 2024 entered into among the Company, the Purchaser and the Vendor in relation to the Acquisition
“Audit Report(s)”	the audit report(s) on the financial statements of the Target Company prepared by an independent auditor in accordance with HKFRS
“Batch 1 Consideration Shares”	1,785,714 new Shares to be allotted and issued by the Company at the Issue Price as part of the Consideration, subject to the Adjustments relating to the financial performance of the Target Company for FY2025
“Batch 2 Consideration Shares”	1,785,714 new Shares to be allotted and issued by the Company at the Issue Price as part of the Consideration, subject to the Adjustments relating to the financial performance of the Target Company for FY2026
“Batch 3 Consideration Shares”	1,785,714 new Shares to be allotted and issued by the Company at the Issue Price as part of the Consideration, subject to the Adjustments relating to the financial performance of the Target Company for FY2027
“Batch 4 Consideration Shares”	1,785,714 new Shares to be allotted and issued by the Company at the Issue Price as part of the Consideration, subject to the Adjustments relating to the financial performance of the Target Company for FY2028

“Batch 5 Consideration Shares”	7,142,858 new Shares to be allotted and issued by the Company at the Issue Price as part of the Consideration, subject to the satisfaction of all profit guarantees provided by the Vendor for FY2025, FY2026, FY2027 and FY2028
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	British Virgin Islands
“Company”	AL Group Limited (利駿集團(香港)有限公司), a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on GEM (Stock Code: 8360)
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Agreement
“Completion Date”	the date falling within five (5) Business Days after fulfilment (or waiver, as applicable) of the conditions precedent (or such other date as the Company and the Vendor may agree before Completion) and the date on which Completion takes place
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Consideration”	a maximum consideration for the Acquisition, being HK\$8,000,000 and subject to the Adjustments and the satisfaction of the profit guarantees provided by the Vendor
“Consideration Share(s)”	a maximum of 14,285,714 new Share(s) to be allotted and issued by the Company at the Issue Price as the settlement of the Consideration
“Director(s)”	the director(s) of the Company

“FY2025”	the year ending 31 December 2025
“FY2026”	the year ending 31 December 2026
“FY2027”	the year ending 31 December 2027
“FY2028”	the year ending 31 December 2028
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate granted to the Directors to allot, issue and deal with not more than 72,054,800 new Shares (prior to the next annual general meeting of the Company) at the annual general meeting of the Company on 28 June 2024
“Group”	the Company and its subsidiaries
“Guaranteed Profit(s)”	the financial performance of the Target Company guaranteed by the Vendor, as detailed in the paragraph headed “PROFIT GUARANTEE AND THE ADJUSTMENT ARRANGEMENT” in this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons
“Issue Price”	HK\$0.56 per Consideration Share
“Listing Committee”	has the meaning ascribed to it under the GEM Listing Rules

“Long Stop Date”	31 March 2025 (or such other date as the Parties may agree in writing)
“Parties”	the parties of the Agreement and “Party” means any of them
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	System Return Limited, a company incorporated in the BVI with limited liability, which is wholly owned by the Company
“Sale Shares”	100 ordinary share of the Target Company, representing the entire share capital of the Target Company
“Share(s)”	ordinary share(s) with par 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
“Target Company”	HLC Design and Build Limited 瀚天設計及營造有限公司, a company incorporated in Hong Kong with limited liability
“Vendor”	Lai Ho Ching, a merchant who was the beneficial owner of the Sale Shares immediately prior to the Completion
“%”	per cent.

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

Hong Kong, 22 October 2024

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Chan Hung Kai (Chairman) and Mr. Chung Kar Ho Carol; 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.