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Lai Group Holding Company Limited
禮建德集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8455)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2020**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED
(THE “STOCK EXCHANGE”)**

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

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

*This announcement, for which the directors (the “**Directors**”) of Lai Group Holding Company Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) 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 (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 in this announcement misleading.*

FINAL RESULTS

The board of Directors (the “**Board**”) of the Company announces the consolidated results of the Group for the year ended 31 March 2020, together with the comparative figures for the year ended 31 March 2019. The financial information has been approved by the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Revenue	3	108,659	133,177
Direct costs		<u>(80,691)</u>	<u>(99,874)</u>
Gross profit		27,968	33,303
Other income and gain	3	460	214
Administrative and other operating expenses		<u>(32,008)</u>	<u>(36,431)</u>
Operating loss	4	(3,580)	(2,914)
Finance costs	5	<u>(185)</u>	<u>(78)</u>
Loss before income tax		(3,765)	(2,992)
Income tax (expense)/credit	6	<u>(56)</u>	<u>127</u>
Loss and total comprehensive expense for the year		<u>(3,821)</u>	<u>(2,865)</u>
Loss and total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		(3,747)	(2,990)
Non-controlling interests		<u>(74)</u>	<u>125</u>
		<u>(3,821)</u>	<u>(2,865)</u>
Loss per share attributable to owners of the Company			
– Basic and diluted loss per share (HK cent)	7	<u>(0.47)</u>	<u>(0.37)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		10,644	12,748
Right-of-use assets		2,083	–
Deferred tax assets		142	232
		<u>12,869</u>	<u>12,980</u>
Current assets			
Contract assets		431	568
Trade and other receivables	9	8,553	8,985
Amounts due from related companies		20	–
Amount due from a director		–	96
Current income tax recoverable		2,185	2,149
Cash and bank balances		41,738	53,106
		<u>52,927</u>	<u>64,904</u>
Total assets		<u>65,796</u>	<u>77,884</u>
EQUITY			
Capital and reserves			
Share capital		8,000	8,000
Reserves		35,559	39,306
Equity attributable to:			
Owners of the Company		43,559	47,306
Non-controlling interests		647	721
Total equity		<u>44,206</u>	<u>48,027</u>

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
LIABILITIES			
Current liabilities			
Contract liabilities		13,060	17,940
Trade and other payables	<i>10</i>	5,636	9,154
Amount due to a related company		8	8
Amount due to a director		119	–
Provision for warranties		611	1,229
Finance lease liabilities		–	596
Lease liabilities		1,452	–
		<u>20,886</u>	<u>28,927</u>
Non-current liabilities			
Finance lease liabilities		–	775
Lease liabilities		580	–
Deferred tax liabilities		124	155
		<u>704</u>	<u>930</u>
Total liabilities		<u>21,590</u>	<u>29,857</u>
Total equity and liabilities		<u>65,796</u>	<u>77,884</u>
Net current assets		<u>32,041</u>	<u>35,977</u>
Total assets less current liabilities		<u>44,910</u>	<u>48,957</u>

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company is a public exempted company with limited liability incorporated in Cayman Islands and its shares are listed on the GEM of the Stock Exchange. Its parent and ultimate holding company is Chun Wah Limited (“**Chun Wah**”), a company incorporated in the Republic of Seychelles. Its ultimate controlling party is Mr. Chan Lai Sin (“**Mr. Chan**”), who is also the chairman and executive Director of the Company. The address of the registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is Office H, 19/F, Phase 01, Kings Wing Plaza, 3 On Kwan Street, Shek Mun, Sha Tin, New Territories, Hong Kong.

The shares of the Company have been listed on the GEM of the Stock Exchange with effect from 12 April 2017.

The Company is an investment holding company. The principal activities of the Group are provision of interior design and fit-out services in Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* (“**HKAS 17**”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019 other than reclassification of obligations under finance leases and assets under finance leases included in property, plant and equipment, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 5.09% to 7.37%.

At 1 April 2019
HK\$'000

Operating lease commitments disclosed as at 31 March 2019	<u><u>4,928</u></u>
Lease liabilities discounted at relevant incremental borrowing rates	(193)
Less: Recognition exemption – low value assets	(17)
Practical expedient – leases with lease term ending within 12 months from the date of initial application	<u>(1,406)</u>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	3,312
Add: Obligations under finance leases recognised at 31 March 2019	<u>1,371</u>
Lease liabilities as at 1 April 2019	<u><u>4,683</u></u>
Analysed as	
Current	2,429
Non-current	<u>2,254</u>
	<u><u>4,683</u></u>

The carrying amount of right-of-use assets for own use as at 1 April 2019 comprises the following:

	Right-of-use assets HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	3,312
Amounts included in property, plant and equipment – Assets previously under finance leases	<u>1,616</u>
	<u><u>4,928</u></u>

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK\$'000
Non-current assets			
Property, plant and equipment	12,748	(1,616)	11,132
Right-of-use assets	–	4,928	4,928
Current liabilities			
Lease liabilities	–	2,429	2,429
Finance lease liabilities	596	(596)	–
Non-current liabilities			
Lease liabilities	–	2,254	2,254
Finance lease liabilities	775	(775)	–

New and Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendment to HKFRS 16	Covid-19 Related Rent Concession ⁵
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The Directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE, OTHER INCOME AND GAIN AND SEGMENT INFORMATION

Revenue, other income and gain recognised during the reporting period are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue		
Residential interior design and fit-out services	105,744	112,567
Commercial interior design and fit-out services	2,915	20,610
	<u>108,659</u>	<u>133,177</u>

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other income and gain		
Gain on disposal of property, plant and equipment	125	–
Interest income	118	118
Others	217	96
	<u>460</u>	<u>214</u>

Disaggregation of revenue from contracts with customers

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Timing of revenue recognition		
Over-time	<u>108,659</u>	<u>133,177</u>

Types of goods and services

Interior design and fit-out services	<u>108,659</u>	<u>133,177</u>
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Performance obligations for contracts with customers

The Group provides interior design and fit-out services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue for these works is therefore recognised over time using input method. The directors of the Company consider that input method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations in these contracts under HKFRS 15.

The chief operating decision maker has been identified as the board of directors. The board of directors regards the Group's business as a single operating segment. The information provided to the chief operating decision maker is the same as those described in these consolidated financial statements. Also, the Group only engages its business in Hong Kong. Therefore, no segment information is presented.

As no revenue derived from sales to a single customer of the Group has individually accounted for over 10% of the Group's total revenue during the year ended 31 March 2020 (2019: Nil), no information about major customers is presented.

All of the transaction prices allocated to the remaining performance obligations are expected to be recognised within one year.

4. OPERATING LOSS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Operating loss has been arrived at after charging:		
Employee benefits expenses		
Salaries and other benefits in kind	15,037	16,885
Contributions to retirement benefit scheme	503	601
	<u>15,540</u>	<u>17,486</u>
Total employee benefits expense, including director's emoluments (<i>Note</i>)	<u>15,540</u>	<u>17,486</u>
Auditors' remuneration	480	600
Depreciation of property, plant and equipment	858	1,374
Depreciation of right-of-use assets	2,294	–
Warranty expenses	11	1,884
Minimum lease payments under operating lease rental in respect of:		
– premises	–	3,593
– office equipment	–	143
Lease payments relating to short-term leases in respect of:		
– premises	1,423	–
	<u>1,423</u>	<u>–</u>

Note: During the year ended 31 March 2020, employee benefits expense of approximately HK\$6,613,000 (2019: HK\$7,320,000) was included in direct costs and approximately HK\$8,927,000 (2019: HK\$10,166,000) was included in administrative and other operating expenses.

5. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on finance leases	–	78
Interest on lease liabilities	185	–
	<u>185</u>	<u>78</u>

6. INCOME TAX EXPENSE/(CREDIT)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current income tax – Hong Kong Profits Tax	–	37
Adjustment in respect of prior years	<u>(3)</u>	<u>(9)</u>
Total current income tax	(3)	28
Deferred income tax	<u>59</u>	<u>(155)</u>
Income tax expense/(credit)	<u><u>56</u></u>	<u><u>(127)</u></u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax for one of the subsidiaries of the Company is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2,000,000. Hong Kong Profits Tax for other subsidiaries is calculated at 16.5% on the estimated assessable profits arising in or derived from Hong Kong for the years ended 31 March 2020 and 2019.

7. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

Loss

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	<u><u>(3,747)</u></u>	<u><u>(2,990)</u></u>

Number of shares

	2020 <i>'000</i>	2019 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u><u>800,000</u></u>	<u><u>800,000</u></u>

The weighted average number of ordinary shares for the years ended 31 March 2020 and 2019 were derived from 800,000,000 ordinary shares in issue by the Company.

No diluted loss per share for the years ended 31 March 2020 and 2019 were presented as there were no potential ordinary shares in issue for the years ended 31 March 2020 and 2019.

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2020 (2019: Nil), nor has any dividend been proposed since the end of the reporting period.

9. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	548	971
Less: allowance for credit losses	<u>(118)</u>	<u>(67)</u>
	<u>430</u>	<u>904</u>
Other receivables, deposits and prepayments	8,250	8,188
Less: allowance for credit losses	<u>(127)</u>	<u>(107)</u>
	<u>8,123</u>	<u>8,081</u>
Total trade and other receivables	<u><u>8,553</u></u>	<u><u>8,985</u></u>

Notes:

- (a) No credit period was granted to customers (2019: 0-30 days) generally. Trade receivables are denominated in HK\$.
- (b) The following is an aged analysis of trade receivables presented based on the invoice dates.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0-30 days	20	407
31-60 days	405	–
61-90 days	7	–
Over 90 days	<u>116</u>	<u>564</u>
	<u><u>548</u></u>	<u><u>971</u></u>

- (c) The Group does not hold any collateral as security.

10. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	3,674	6,164
Other payables and accruals	1,962	2,990
	5,636	9,154

Notes:

- (a) Payment terms granted by suppliers and subcontractors are generally 30 days (2019: 0-30 days) from the invoice date of the relevant purchases and services provided.

The following is an aged analysis of trade payables presented based on the invoice date.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0-30 days	1,551	2,351
31-60 days	–	922
61-90 days	142	1,137
Over 90 days	1,981	1,754
	3,674	6,164

- (b) All trade and other payables are denominated in HK\$.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in provision of interior design and fit-out services in Hong Kong. The Group offers a full suite of services including interior design provided by the Group's in-house design team, providing the Group's customers with creative and innovative designs that synergise with the latest market and design trends. In order to complete the projects, the Group relies on its subcontractors to implement the designs with high quality fittings and furnishings.

The Group's business can be classified into (i) residential interior design and fit-out services; and (ii) commercial interior design and fit-out services. The Group generated revenue of approximately HK\$108.7 million and HK\$133.2 million, of which approximately HK\$105.7 million and HK\$112.6 million, representing 97.3% and 84.5% of the Group's total revenue, were generated from residential interior design and fit-out services for the years ended 31 March 2020 and 2019, respectively. Approximately HK\$2.9 million and HK\$20.6 million, representing 2.7% and 15.5% of the Group's total revenue, were generated from commercial interior design and fit-out services for the years ended 31 March 2020 and 2019, respectively.

For the year ended 31 March 2020, the Group recorded a net loss of approximately HK\$3.8 million as compared with approximately HK\$2.9 million for the same period in 2019. The Directors are of the view that the Group's net loss was mainly attributable to the decrease in revenue generated from both residential and commercial interior design and fit-out services. In view of the steady revenue generated for year ended 31 March 2020 as compared to the same period in 2019 and the latest negotiations with existing and potential new customers, the Directors are of the view that there is no fundamental deterioration in the commercial and operational viability of the Group's business.

OUTLOOK

Despite the recent social unrest, Hong Kong property prices continued to rise and residential properties still remain unaffordable. Property developers continue to build small residential units to compensate for the rise in prices to make smaller homes more affordable.

The Company is of the view that increasing property prices favors the business of the Group as home owners find it increasingly difficult to afford new homes and have to resort to renovating their existing property to improve their living environment. As such, the Company will continue to build upon its marketing and promotional strategy, as outlined in the prospectus of the Company dated 31 March 2017 (the "**Prospectus**"), to increase the awareness of the Group's brand name in the renovation and interior fit-out market. In view of the possible increase in market size, the Group continues to expand its business coverage in Hong Kong in order to improve its reach to more potential customers. This involves opening of more branches to serve more potential customers in areas previously not covered by the Group.

However, the Company is also aware of the rising costs of operating a business, especially the rising rental costs in Hong Kong, which is partly contributed by the rising property prices. Therefore, the Board will remain cautious in expanding and will continue to monitor its costs, as well as the current market trend to anticipate any downturn or changes in the current property market trend.

FINANCIAL REVIEW

Revenue

The Group's revenue is primarily generated from the provision of interior design and fit-out services in Hong Kong which includes two main categories, namely (i) residential interior design and fit-out services; and (ii) commercial interior design and fit-out services. During the reporting year, the Group's revenue decreased by approximately 18.4% to approximately HK\$108.7 million (2019: HK\$133.2 million). Such decrease was mainly due to the decrease in revenue generated from both residential and commercial interior design and fit-out services.

Revenue by business nature	For the year ended 31 March			
	2020		2019	
	HK\$'000	%	HK\$'000	%
Residential interior design and fit-out services	105,744	97.3	112,567	84.5
Commercial interior design and fit-out services	2,915	2.7	20,610	15.5
Total	<u>108,659</u>	<u>100.0</u>	<u>133,177</u>	<u>100.0</u>

Direct costs

The Group's direct costs consist primarily of (i) materials; (ii) subcontracting charges; (iii) staff costs; and (iv) warranty expenses. The table below sets forth a breakdown of components of direct costs for the years ended 31 March 2020 and 2019:

Components of direct costs	For the year ended 31 March			
	2020		2019	
	HK\$'000	%	HK\$'000	%
Materials	17,843	22.1	17,421	17.4
Subcontracting charges	56,224	69.7	73,249	73.4
Staff costs	6,613	8.2	7,320	7.3
Warranty expenses	11	–	1,884	1.9
Total	<u>80,691</u>	<u>100.0</u>	<u>99,874</u>	<u>100.0</u>

The Group's direct costs decreased by approximately 19.2% from approximately HK\$99.9 million for the year ended 31 March 2019 to HK\$80.7 million for the year ended 31 March 2020. Such decrease was in line with the decrease in revenue.

Gross profit and gross profit margin

Gross profit represents revenue less direct costs. The Group's gross profit decreased by approximately HK\$5.3 million, or 16.0%, from approximately HK\$33.3 million for the year ended 31 March 2019 to approximately HK\$28.0 million for the year ended 31 March 2020. The Group's gross profit margin was approximately 25.7% for the year ended 31 March 2020, representing an increase of approximately 0.7 percentage points as compared to approximately 25.0% for the year ended 31 March 2019. The decrease in gross profit was mainly due to the decrease in revenue as mentioned above.

Administrative and other operating expenses

The Group's administrative and other operating expenses for the year ended 31 March 2020 were approximately HK\$32.0 million, representing a decrease of approximately 12.1% from approximately HK\$36.4 million for the year ended 31 March 2019, primarily due to the decrease in administrative staff costs for the year ended 31 March 2020.

Finance costs

Finance costs of the Group increased by approximately 137.2% from approximately HK\$78,000 for the year ended 31 March 2019 to approximately HK\$185,000 for the year ended 31 March 2020. The increase in finance costs was mainly attributable to the increase in interest on lease liabilities for the year ended 31 March 2020.

Income tax expense/credit

The Group's income tax expense was approximately HK\$56,000 for the year ended 31 March 2020 compared to income tax credit of approximately HK\$127,000 for the year ended 31 March 2019. The income tax credit for the year ended 31 March 2019 was mainly derived from deferred tax credit arising from provision for warranties.

Loss attributable to owners of the Company

Loss attributable to owners of the Company for the year ended 31 March 2020 amounted to approximately HK\$3.7 million, representing an increase in loss as compared with approximately HK\$3.0 million for the year ended 31 March 2019. It was mainly due to the decrease in revenue as mentioned above.

BUSINESS OBJECTIVES AND STRATEGIES

The Group will endeavor to achieve the following business objectives:

Business strategy as stated in the Prospectus

Expansion of market coverage in Hong Kong

- To acquire a new office in Tsuen Wan through mortgages, financing and the related fees due to the acquisition of the new office, fit-out and refurbishment costs and fit out new offices due to relocation on refurbish office design

- To acquire a new office in Quarry Bay through mortgage financing to serve customers of Hong Kong Eastern area and the related fees due to the acquisition of the new office, and the new office fit-out and refurbishment costs

Strengthen sales and marketing efforts

- To increase advertising frequency on traditional media such as weekly magazine and billboards

- To increase online advertisement

- To engage a celebrity to market and endorse the services of the Company

Progress up to 31 March 2020

In view of the market uncertainties arised from the trade war between United States of America and China and the outbreak of COVID-19 and the rising property prices, the Board decided to take a cautious approach towards the acquisition of property by trying to locate a property at a reasonable price that is suitable for the operation of the Group's business. Therefore, the Board has entered into a lease to serve as its Tsuen Wan branch upon the expiration of tenancy of the existing Tsuen Wan branch until a suitable property is located

In view of the market uncertainties arised from the trade war between United States of America and China and the outbreak of COVID-19 and the rising property prices, the Board decided to take a cautious approach towards the acquisition of property by trying to locate a property at a reasonable price that is suitable for the operation of the Group's business

The Group has found suitable media channels for engaging in an informative advertising campaign

The Group has increased the frequency of online advertisement during the period

The Group has engaged a celebrity as the spokesperson of the Company

Business strategy as stated in the Prospectus

Progress up to 31 March 2020

Recruiting high caliber talents and enhance internal training to support future growth

- To hire additional employees and talents

The Group has hired additional project supervisors, draftsman and designer assistants to facilitate the business development

- To organise internal training and seminar

The Group has provided internal training to existing and new hiring staff

- To offer incentive bonus to employees

Portion of proceeds were used for hiring additional employees and talents

Upgrade the information systems

- To pay the final stage payment for software development and upgrade office systems and design softwares

The Group is in the progress of developing online tracking system to monitor the project status

Development of fleet of vehicles

- To purchase vehicles and pay the related fees due to the purchase of the vehicles

The Group has purchased three vehicles and paid the relevant fees

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the issue of new shares of the Company at the time of its listing on 12 April 2017 (the “**Listing Date**”) through the share offer of 200,000,000 shares of HK\$0.01 each in the share capital of the Company at the price of HK\$0.26 per share, after deduction of the underwriting commission and actual expenses paid by the Group in connection thereto, were approximately HK\$34.8 million.

The below table sets out the proposed applications of the net proceeds from the Listing Date to 31 March 2020:

	Planned use of proceeds from Listing Date to 31 March 2020	Actual use of proceeds from Listing Date to 31 March 2020	Unutilised proceeds from Listing Date to 31 March 2020
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Expansion of market coverage in Hong Kong	19.8	–	19.8
Strengthen sales and marketing efforts	4.0	4.0	–
Recruiting high caliber talent and enhance internal training to support future growth	4.7	4.7	–
Upgrading information systems	1.9	0.1	1.8
Development of fleet of vehicles	2.6	1.5	1.1
General working capital	1.8	1.8	–
	<hr/>	<hr/>	<hr/>
Total	<u>34.8</u>	<u>12.1</u>	<u>22.7</u>

For the expansion of market coverage in Hong Kong, the Company has yet to identify a suitable location that is worth acquiring in light of the continuously high property prices and potential downturn risk. Compounding the risky situations are the trade war between the United States of America and China and the outbreak of COVID-19 that have created even more market uncertainties. In any event, the Company is still on the lookout for suitable locations to purchase over the next 12 months and hopefully could utilised the remaining proceeds of approximately HK\$19.8 million to acquire locations during the financial year ending 31 March 2021.

For upgrading information systems, the Company has identified an suitable information system vendor and is currently in the progress of negotiation of a satisfactory proposal to the needs of the Company. Therefore, the Company expects to utilise this unused portion of the proceeds of approximately HK\$1.8 million during the year ending 31 March 2021 to meet their goals of an upgraded information system.

As at 31 March 2020, the unutilised use of proceeds of approximately HK\$22.7 million has been placed as deposits into licensed banks in Hong Kong and will be expected to be used according to the intentions previously disclosed in the Prospectus. Such amounts are expected to be fully utilised by 31 March 2021.

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group since the Listing Date and up to date of this announcement. The capital of the Group only comprises of ordinary shares.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has funded the liquidity and capital requirements principally from cash generated from operations and finance lease arrangements.

As at 31 March 2020, the Group had total debts, comprising lease liabilities and finance lease liabilities, of approximately HK\$2.0 million which was denominated in Hong Kong Dollars (2019: approximately HK\$1.4 million). The Group's finance lease obligations were for the acquisition of motor vehicles to support its operations.

As at 31 March 2020, the Group had approximately HK\$41.7 million in cash and bank balance (2019: approximately HK\$53.1 million). The Directors believe that the Group is in a healthy financial position to expand its core business and to achieve its business objectives.

GEARING RATIO

As at 31 March 2020, the gearing ratio of the Group was approximately 4.6% (2019: approximately 2.9%). Gearing ratio is calculated as total interest-bearing liabilities and lease liabilities divided by total capital. Total interest-bearing liabilities is calculated as finance lease liabilities. Total capital is calculated as total equity as shown in the consolidated statement of financial position.

CHARGE ON GROUP ASSETS

As at 31 March 2020, the Group has pledged its motor vehicle with net book value amounted to approximately HK\$0.7 million (2019: approximately HK\$1.6 million), under finance lease agreements.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed herein, there was no significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Company during the year ended 31 March 2020. There was no other plan for material investments or capital assets as at 31 March 2020.

FOREIGN EXCHANGE EXPOSURE

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. All of the Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollars. As such, the Directors are of the view that the Group did not have significant exposure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2020 (2019: Nil).

COMMITMENTS

The Group did not have any material capital commitment as at 31 March 2020 (2019: Nil).

SEGMENT INFORMATION

The Group principally operates in one business segment, which is providing interior design and fit-out services in Hong Kong.

FINAL DIVIDENDS

The Directors do not recommend the payment of final dividend for the year ended 31 March 2020 (2019: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2020.

INFORMATION ON EMPLOYEES

As at 31 March 2020, the Group had 38 employees working in Hong Kong (2019: 51). Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of trainings were provided to the employees. The total staff cost (including remuneration of Directors and mandatory provident funds contributions) for the year ended 31 March 2020 amounted to approximately HK\$15.5 million (2019: approximately HK\$17.5 million).

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving and maintaining high standards of corporate governance, as the Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to promote the interests of its shareholders of the Company.

Accordingly, the Company has adopted sound corporate governance principles that emphasise a quality Board, effective internal control, stringent disclosure practices, transparency and accountability to all stakeholders.

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code since Listing Date and up to the date of this announcement.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company adopted the required standard of dealings set out in rules 5.48 to 5.68 of the GEM Listing Rules as the code of conduct regarding Directors’ securities transactions in securities of the Company (the “**Code of Conduct**”). Based on specific enquiry with the Directors, all Directors confirmed that they had fully complied with the required standard of dealings and there was no event of non-compliance throughout the year.

AUDIT COMMITTEE

The Audit Committee was established on 24 March 2017. The chairman of the Audit Committee is Mr. Kwan Ngai Kit, the independent non-executive Director, and other members included Ms. Lui Lai Chun and Mr. Wu Loong Cheong Paul, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the website of the Stock Exchange and on the Company’s website.

The primary duties of the Audit Committee are to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 March 2020.

REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2020 as set out in the preliminary announcement have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 March 2020. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this preliminary announcement.

The Group's annual results for the year ended 31 March 2020 has been reviewed by the Audit Committee.

EVENTS AFTER THE REPORTING PERIOD

Since the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by the COVID-19 outbreak and will continue to evaluate its impact on the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group.

By order of the Board
Lai Group Holding Company Limited
Chan Lai Sin
Chairman and Executive Director

Hong Kong, 22 June 2020

As at the date of this announcement, the Board comprises Mr. Chan Lai Sin and Ms. Wan Pui Chi as executive Directors; Mr. Kwan Ngai Kit, Ms. Lui Lai Chun and Mr. Wu Loong Cheong Paul as independent non-executive Directors.

This announcement will remain on the website of the Stock Exchange at www.hkexnews.hk on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and will be published on the Company's website at www.dic.hk.