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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)**

### **THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2017**

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a high 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, 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 (the “**GEM Listing Rules**”) of the Stock Exchange 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.*

*This announcement will remain on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on the “Latest 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](http://www.dic.hk).*

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 December 2017

The unaudited condensed consolidated results of the Group for the three months and nine months ended 31 December 2017, together with the unaudited comparative figures for the corresponding period in 2016, are as follows:

	Note	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	3	30,400	38,402	101,617	106,381
Direct costs		(22,713)	(26,261)	(72,517)	(76,256)
<b>Gross profit</b>		<b>7,687</b>	12,141	<b>29,100</b>	30,125
Other income and gains	3	34	5	82	5
Administrative and other operating expenses		(8,071)	(6,214)	(24,814)	(19,717)
<b>Operating (loss)/profit</b>		<b>(350)</b>	5,932	<b>4,368</b>	10,413
Finance costs		(17)	(10)	(83)	(33)
<b>(Loss)/Profit before income tax</b>		<b>(367)</b>	5,922	<b>4,285</b>	10,380
Income tax expense	4	(32)	(1,021)	(1,182)	(2,238)
<b>(Loss)/Profit and total comprehensive (expense)/income for the period</b>		<b>(399)</b>	4,901	<b>3,103</b>	8,142
<b>(Loss)/Profit and total comprehensive (expense)/income for the period attributable to:</b>					
Owners of the Company		(579)	4,532	2,481	7,486
Non-controlling interests		180	369	622	656
		<b>(399)</b>	4,901	<b>3,103</b>	8,142
<b>(Losses)/Earnings per share attributable to owners of the Company for the period</b>					
– Basic and diluted (losses)/earnings per share	5	<b>HK\$(0.07) cents</b>	HK\$0.76 cents	<b>HK\$0.31 cents</b>	HK\$1.25 cents

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2017

	Attributable to owners of the Company				Sub-total HK\$'000	Attributable to non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note i)	Retained earnings HK\$'000			
Balance at 1 April 2016 (Audited)	101	–	–	16,921	17,022	181	17,203
Reorganisation	(100)	–	100	–	–	–	–
Profit and total comprehensive income for the period	–	–	–	7,486	7,486	656	8,142
Dividends (Note 6)	–	–	–	(16,000)	(16,000)	–	(16,000)
<b>Balance at 31 December 2016 (Unaudited)</b>	<b>1</b>	<b>–</b>	<b>100</b>	<b>8,407</b>	<b>8,508</b>	<b>837</b>	<b>9,345</b>
Balance at 1 April 2017 (Audited)	6,000	–	(5,899)	3,666	3,767	430	4,197
Profit and total comprehensive income for the period	–	–	–	2,481	2,481	622	3,103
Share issued pursuant to the share offer	2,000	50,000	–	–	52,000	–	52,000
Share issuance costs	–	(5,581)	–	–	(5,581)	–	(5,581)
<b>Balance at 31 December 2017 (Unaudited)</b>	<b>8,000</b>	<b>44,419</b>	<b>(5,899)</b>	<b>6,147</b>	<b>52,667</b>	<b>1,052</b>	<b>53,719</b>

Note:

- i) Other reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the corporate reorganisation (the “**Reorganisation**”) undertaken in the preparation for the listing of the Company’s share (the “**Shares**”) on GEM of the Stock Exchange.

# NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 17 February 2016 as an exempted company with limited liability. The Shares have been listed on GEM of the Stock Exchange (the “**Listing**”) on 12 April 2017 (the “**Listing Date**”). Its parent and ultimate holding company is Chun Wah Limited (“**Chun Wah**”), a company incorporated in the Republic of Seychelles and owned as to 100% by Mr. Chan Lai Sin (“**Mr. Chan**”), the controlling shareholder, an executive Director and the chairman of the Company.

The address of its registered office in the Cayman Islands is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is Office H, 19/F, Phase 01, Kings Wing Plaza, 3 On Kwan Street, Shek Mun, Sha Tin, New Territories, Hong Kong. The Company is an investment holding company. The principal activities of the Group are the provision of interior design and fit-out services in Hong Kong.

Prior to the Reorganisation, the group entities were under the control of Mr. Chan. Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 24 March 2017. Accordingly, for the purpose of preparing the unaudited condensed consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the nine months ended 31 December 2017 presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. Chan prior to and after the Reorganisation.

The unaudited condensed consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the nine months ended 31 December 2016 in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The unaudited condensed consolidated statement of profit or loss and other comprehensive income and unaudited condensed consolidated statement of changes in equity for the period presented, which include the results and changes in equity of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the period.

This unaudited condensed consolidated financial statements are presented in thousands of Hong Kong dollars (“**HK\$000**”), which is the same as the functional currency of the Company.

## 2 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The preparation of unaudited condensed consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

**(a) The following new and amended standards have been adopted by the Group for the first time for the financial period beginning on or after 1 January 2017:**

Annual Improvements Project (Amendments) – HKFRS 12	Annual Improvements 2014-2016 Cycle
HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the above HKFRSs did not have any significant financial impact on the unaudited condensed consolidated financial statements.

**(b) The following new standards and revisions to standards have been issued, but are not effective and have not been early adopted by the Group:**

		<b>Effective for accounting year beginning on or after</b>
Annual Improvements Project (Amendments) – HKFRS 1 and HKAS 28	Annual Improvements 2014-2016 Cycle	1 January 2018
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9	Financial Instruments (New Standard)	1 January 2018
HKFRS 15	Revenue from Contracts with Customers (New Standard)	1 January 2018
HKFRS 15 (Amendments)	Clarifications to HKFRS 15	1 January 2018
HKAS 40 (Amendments)	Transfers of Investment Property	1 January 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration (New Interpretation)	1 January 2018
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases (New Standard)	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments (New Interpretation)	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group will apply the above HKFRSs when they become effective. The Group is in the process of making an assessment of the impact of the above HKFRSs.

### 3 REVENUE, OTHER INCOME AND GAINS

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

	<b>Unaudited Three months ended 31 December</b>		<b>Unaudited Nine months ended 31 December</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>				
Residential interior design and fit-out services	<b>24,610</b>	36,592	<b>87,132</b>	93,502
Commercial interior design and fit-out services	<b>5,224</b>	1,153	<b>13,749</b>	11,659
Others	<b>566</b>	657	<b>736</b>	1,220
	<b>30,400</b>	38,402	<b>101,617</b>	106,381
	<b>30,400</b>	38,402	<b>101,617</b>	106,381
	<b>Unaudited Three months ended 31 December</b>		<b>Unaudited Nine months ended 31 December</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
<b>Other income and gains</b>				
Gain on disposal of property, plant and equipment	–	5	<b>14</b>	5
Interest income	<b>34</b>	–	<b>68</b>	–
	<b>34</b>	5	<b>82</b>	5
	<b>34</b>	5	<b>82</b>	5

#### 4 INCOME TAX EXPENSE

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit during the nine months ended 31 December 2017 and 2016.

The amount of income tax expense charged to the unaudited condensed consolidated statement of profit or loss and other comprehensive income represents:

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Current income tax – Hong Kong profits tax	57	1,017	1,132	2,218
Deferred income tax	(25)	4	50	20
	<u>32</u>	<u>1,021</u>	<u>1,182</u>	<u>2,238</u>

#### 5. LOSSES/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE PERIOD – BASIC AND DILUTED

##### (a) Basic

Basic losses/earnings per Share is calculated by dividing the loss/profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
(Loss)/Profit for the period attributable to owners of the Company (HK\$'000)	(579)	4,532	2,481	7,486
Weighted average number of ordinary shares in issue ('000)	800,000	600,000	792,000	600,000
Basic (losses)/earnings per Share (HK cents per share)	<u>(0.07)</u>	<u>0.76</u>	<u>0.31</u>	<u>1.25</u>

The weighted average number of ordinary Shares for the purpose of calculating basic losses/earnings per Share for the period ended 31 December 2017 was derived from 600,000,000 ordinary Shares in issue and the effect of the share offer (200,000,000 Shares issued pursuant to the share offer) by the Company.

The weighted average number of ordinary Shares for the purpose of calculating basic losses/earnings per Share for the period ended 31 December 2016 was derived from 600,000,000 ordinary Shares in issue (comprising 1 Share in issue and 599,999,999 Shares issued to the Controlling Shareholders during the Reorganisation) as if these 600,000,000 ordinary Shares were outstanding throughout the period.

**(b) Diluted**

Diluted losses/earnings per Share is the same as basic losses/earnings per Share due to the absence of dilutive potential ordinary Shares during the respective periods.

**6 DIVIDENDS**

	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>Three months</b>		<b>Nine months</b>	
	<b>ended 31 December</b>		<b>ended 31 December</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Dividends	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,000</u>

During the nine months ended 31 December 2016, a dividend of HK\$16,000,000 was declared by Smart Will Engineering Limited, a wholly-owned subsidiary of the Company, to their equity owners prior to the Reorganisation.

The board of Directors (the “**Board**”) does not recommend a payment of any dividend in respect of the nine months ended 31 December 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

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\$101.6 million and HK\$106.4 million, of which approximately HK\$87.1 million and HK\$93.5 million representing approximately 85.7% and 87.9% of the Group's total revenue were generated from residential interior design and fit-out services for the nine months ended 31 December 2017 and 2016, respectively. Approximately HK\$13.7 million and HK\$11.7 million, representing approximately 13.5% and 11.0% of the Group's total revenue were generated from commercial interior design and fit-out services for the nine months ended 31 December 2017 and 2016, respectively.

For the nine months ended 31 December 2017, the Group recorded a net profit of approximately HK\$3.1 million as compared to approximately HK\$8.1 million for the same period in 2016. The Directors are of the view that the decrease of the Group's net profit during the nine months ended 31 December 2017 was mainly attributable to (i) the increase in staff costs by reason of expansion; (ii) the increase in advertisement expenses to strengthen the sales and marketing efforts as disclosed in section headed "Business Objectives and Future Plans – Implementation Plans" in the Company's prospectus dated 31 March 2017 (the "**Prospectus**"); and (iii) the increase in professional fees, director's emoluments and entertainment expenses following the Listing of the Company. In view of the steady revenue for the nine months ended 31 December 2017 as compared to the same period in 2016 and the latest negotiations with existing and potential new customers, the Directors are of the view that there has been no fundamental deterioration in the commercial and operational viability of the Group's business.

### OUTLOOK

The Shares were listed on GEM on the Listing Date by way of share offer. The Directors believe that Listing on GEM could enhance the Group's profile and recognition which will enhance the customers' confidence to the Group. In addition, the net proceeds from the share offer will provide additional resources to the Group to expand its business and improve its capital base.

Looking forward, the Group will continue to devote more resources towards the development of interior design and fit-out services in Hong Kong. The Group will focus on the following business strategies: (i) to strengthen the Group's market position in Hong Kong by improving its coverage; (ii) to promote the Group's brand, to improve brand recognition and to strengthen the Group's marketing efforts; and (iii) to enhance the Group's internal training and to recruit talents to support the Group's future growth. Details of the business strategies have been disclosed in the Prospectus.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue is primarily generated from 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. The Group's revenue decreased by approximately 4.5% from approximately HK\$101.6 million for the nine months ended 31 December 2016 to approximately HK\$106.4 million for the nine months ended 31 December 2017. Such decrease was primarily attributable to the decrease in revenue from residential interior design and fit-out services.

### **Direct costs**

The Group's direct costs consist primarily of (i) materials; (ii) subcontracting charges; (iii) staff costs; and (iv) warranty expenses. The Group's direct costs decreased by approximately 5.0% from approximately HK\$76.3 million for the nine months ended 31 December 2016 to approximately HK\$72.5 million for the nine months ended 31 December 2017. Such decrease was mainly due to the decrease in subcontracting charges, and it is in line with the decrease in revenue for the same period.

### **Gross profit and gross profit margin**

Gross profit represents revenue less direct costs. The Group's gross profit decreased by approximately 3.3%, from approximately HK\$30.1 million for the nine months ended 31 December 2016 to approximately HK\$29.1 million for the nine months ended 31 December 2017. The Group's gross profit margin was approximately 28.6% for the nine months ended 31 December 2017, representing an increase of approximately 0.3 percentage points as compared to approximately 28.3% for the nine months ended 31 December 2016. The Group's gross profit margin remained stable for both periods.

### **Administrative and other operating expenses**

The Group's administrative and other operating expenses for the nine months ended 31 December 2017 were approximately HK\$24.8 million, representing an increase of approximately 25.9% from approximately HK\$19.7 million for the nine month ended 31 December 2016, primarily due to (i) the implementation on the expansion plan to support the business growth; and (ii) the legal and professional fees incurred after the Listing for the services of compliance adviser, legal adviser and share registrars which was partially offset by the lower listing expenses for the nine months ended 31 December 2017.

### **Profit attributable to owners of the Company**

For the nine months ended 31 December 2017, the Group recorded profit attributable to the owners of the Company of approximately HK\$2.5 million as compared to profit for the nine months ended 31 December 2016 of approximately HK\$7.5 million. Such decrease was primarily due to the increase of administrative and other operating expenses.

## DIVIDEND

The Board does not recommend a payment of any dividend for the nine months ended 31 December 2017.

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, the interests or short positions of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of Securities and Futures Ordinance (“SFO”) (including interests or short positions in which they are taken or deemed to have under such provisions), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which are required to be notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.67 of GEM Listing Rules, are as follows:

#### Long positions in ordinary Shares and underlying Shares

Name	Capacity/nature of interest	Number of underlying Shares	Approximate percentage of shareholding
Mr. Chan ( <i>Note 1</i> )	Interest of a controlled corporation	408,370,000	51.05%

*Note:*

1. Mr. Chan beneficially owns the entire issued share capital of Chun Wah. Therefore, Mr. Chan is deemed, or taken to be, interested in all the Shares held by Chun Wah for the purpose of the SFO. Mr. Chan is the sole director of Chun Wah.

Save as disclosed above, as at 31 December 2017, none of the Directors and chief executives of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as known to the Directors or chief executive of the Company, as at 31 December 2017, the following persons/entities (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the Shares or the underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were 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 or any other member of the Group:

### Long positions in ordinary Shares and underlying Shares

Name	Capacity/nature of interest	Number of underlying Shares	Approximate percentage of shareholding
Chun Wah ( <i>Note 1</i> )	Beneficial owner	408,370,000	51.05%
Ms. Wong Ting Nuen ( <i>Note 2</i> )	Interest of Spouse	408,370,000	51.05%

#### Notes:

1. These 408,370,000 Shares are held by Chun Wah. Mr. Chan beneficially owns the entire issued share capital of Chun Wah. Therefore, Mr. Chan is deemed, or taken to be, interested in all the Shares held by Chun Wah for the purpose of the SFO. Mr. Chan is the sole director of Chun Wah.
2. Ms. Wong Ting Nuen (“**Ms. Wong**”) is the spouse of Mr. Chan. Under the SFO, Ms. Wong is deemed to be interested in the same number of Shares in which Mr. Chan is interested.

Save as disclosed above, as at 31 December 2017, there was no person or corporation, other than the Directors and chief executives of the Company whose interests are set out in the section “Other information – Directors’ and chief executives’ interests and short positions in Shares, underlying Shares and debentures of the Company” above, had any interest or a short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **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 nine months ended 31 December 2017.

## **COMPETITION AND CONFLICT OF INTERESTS**

None of the Directors, the controlling shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any businesses that competes or may compete with the business of the Group or has any other conflict of interests with the Group for the nine months ended 31 December 2017.

### **Non-Competition Undertaking**

In order to avoid any possible future competition between the Group and the controlling shareholder of the Company, Mr. Chan and Chun Wah (each a “**Covenantor**” and collectively the “**Covenantors**”) have entered into the Deed of Non-competition with the Company (for itself and for the benefit of each other member of the Group). Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/she/it shall not, and shall procure that his/her/its associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the Covenantors also gave certain non-competition undertakings under the Deed of Non-Competition as set out in the paragraph headed “Relationship with our controlling shareholders – Non-competition undertakings” in the Prospectus.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors’ securities transactions in securities of the Company (the “**Required Standard of Dealing**”). 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 during the nine months ended 31 December 2017.

## **SHARE OPTION SCHEME**

The Share Option Scheme was conditionally adopted pursuant to the written resolution of the sole Shareholder passed on 24 March 2017. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. The Company has adopted a Share Option Scheme on 24 March 2017. This will be in accordance with Chapter 23 of the GEM Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed “Statutory and General Information – Share option scheme” in Appendix V to the Prospectus.

For the nine months ended 31 December 2017, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

## **INTERESTS OF THE COMPLIANCE ADVISER**

As confirmed by the Group’s compliance adviser, Frontpage Capital Limited (the “**Compliance Adviser**”), save as the compliance adviser agreement entered into between the Company and the Compliance Adviser, none of the Compliance Adviser or its directors, employees or associates had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## **CORPORATE GOVERNANCE PRACTICE**

The Board considers good corporate governance a key element in managing the business and affairs of the Group. The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 of the GEM Listing Rules. The Board is of the opinion that the Company has complied with the CG Code during the nine months ended 31 December 2017 and up to the date of this announcement.

## **AUDIT COMMITTEE**

The Audit Committee was established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 and C.3.7 of CG Code. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Mr. Kwan Ngai Kit. The other members are Ms. Lui Lai Chun and Mr. Wu Loong Cheong Paul. 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 mainly 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 Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Group's unaudited condensed consolidated financial statements for the nine months ended 31 December 2017 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2017 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

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

Hong Kong, 8 February 2018

*As at the date of this announcement, the Board comprises Mr. Chan Lai Sin, Mr. Gan Jianjun, Mr. Hung Lap Ka and Ms. So Hiu Bik as executive Directors; Mr. Kwan Ngai Kit, Ms. Lui Lai Chun and Mr. Wu Loong Cheong Paul as independent non-executive Directors.*