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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 2018**

**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 is pleased to announce the consolidated results of the Group for the year ended 31 March 2018, together with the comparative figures for the year ended 31 March 2017. 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 2018

	Note	2018 HK\$'000	2017 HK\$'000
Revenue	3	121,840	131,637
Direct costs		<u>(89,853)</u>	<u>(94,867)</u>
Gross profit		31,987	36,770
Other income and gain	3	117	5
Administrative and other operating expenses		<u>(31,511)</u>	<u>(31,417)</u>
Operating profit	4	593	5,358
Finance costs	5	<u>(105)</u>	<u>(43)</u>
Profit before income tax		488	5,315
Income tax expense	6	<u>(173)</u>	<u>(2,321)</u>
Profit and total comprehensive income for the year		<u>315</u>	<u>2,994</u>
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		149	2,745
Non-controlling interests		<u>166</u>	<u>249</u>
		<u>315</u>	<u>2,994</u>
Earnings per share attributable to owners of the Company			
– Basic and diluted earnings per share	7	<u>HK 0.02 cents</u>	<u>HK 0.46 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	<i>Note</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		13,132	12,288
Deferred tax assets		89	103
		<u>13,221</u>	<u>12,391</u>
Current assets			
Gross amounts due from customers for contract work		810	619
Trade and other receivables	9	7,468	6,826
Amount due from a director		1,095	5,891
Current income tax recoverable		1,646	–
Cash and bank balances		48,678	12,104
		<u>59,697</u>	<u>25,440</u>
Total assets		<u>72,918</u>	<u>37,831</u>
EQUITY			
Capital and reserves			
Share capital	10	8,000	6,000
Reserves		42,335	(2,233)
Equity attributable to:			
Owners of the Company		50,335	3,767
Non-controlling interests		596	430
Total equity		<u>50,931</u>	<u>4,197</u>

	<i>Note</i>	2018 HK\$'000	2017 HK\$'000
LIABILITIES			
Current liabilities			
Gross amounts due to customers for contract work		7,433	8,665
Trade and other payables	<i>11</i>	12,566	22,891
Amount due to a related company		8	8
Provision for warranties		537	622
Finance lease liabilities		352	323
Current income tax liabilities		—	601
		<u>20,896</u>	<u>33,110</u>
Non-current liabilities			
Finance lease liabilities		916	427
Deferred tax liabilities		175	97
		<u>1,091</u>	<u>524</u>
Total liabilities		<u>21,987</u>	<u>33,634</u>
Total equity and liabilities		<u>72,918</u>	<u>37,831</u>
Net current assets/(liabilities)		<u>38,801</u>	<u>(7,670)</u>
Total assets less current liabilities		<u>52,022</u>	<u>4,721</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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 of the Company have been listed on GEM of the Stock Exchange on 12 April 2017 (the “**Listing**”). 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 the registered office of the Company 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 Company is an investment holding company. The principal activities of the Group are provision of interior design and fit-out services in Hong Kong.

Prior to the corporate reorganisation undertaken in preparation for the Listing of the Company’s shares on GEM of the Stock Exchange (the “**Reorganisation**”), the group entities were under the control of Mr. Chan. Through the Reorganisation, the Company became the holding company of the companies now comprising the Group on 24 March 2017. Accordingly, for the purpose of the preparation of the consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the year ended 31 March 2017. 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 consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the year ended 31 March 2017 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 consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 March 2017, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the year ended 31 March 2017, or since their respective dates of incorporation where this is a shorter period.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

Compliance with HKFRS and disclosure requirements of HKCO

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA. The consolidated financial statements also include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance (“HKCO”).

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2017:

- *Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to HKAS 12,*
- *Disclosure initiative – amendments to HKAS 7, and*
- *Annual Improvements to HKFRS Standards 2014-2016 Cycle.*

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2018 reporting periods and have not been early adopted by the Group. The Group’s assessment of the impact of these new standards and interpretations is set out below.

HKFRS 9 *Financial Instruments*

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 April 2018:

The financial assets held by the Group include debt instruments currently measured at amortised cost which meet the conditions for classification at amortised cost under HKFRS 9.

Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by Group

Must be applied for financial years commencing on or after 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

HKFRS 15 *Revenue from Contracts with Customers*

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

The Group has undertaken a preliminary assessment of the impact of HKFRS 15 and does not expect its results of operations and financial position will be significantly impacted.

Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2018.

HKFRS 16 *Leases*

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases.

The management of the Group does not expect the adoption of HKFRS 16 would result in significant impact on the Group's results but it is expected that certain portion of the Group's operating lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

Mandatory application date/Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 REVENUE, OTHER INCOME AND GAIN AND SEGMENT INFORMATION

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue		
Residential interior design and fit-out services	106,735	114,660
Commercial interior design and fit-out services	14,359	15,609
Others	746	1,368
	<u>121,840</u>	<u>131,637</u>
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Other income and gain		
Gain on disposal of property, plant and equipment	14	5
Interest income	102	–
Others	1	–
	<u>117</u>	<u>5</u>

The chief operating decision-maker has been identified as the Board. The Board 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 10% of the Group's total revenue during the year ended 31 March 2018 (2017: Nil), no information about major customers is presented.

4 OPERATING PROFIT

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Operating profit has been arrived after charging:		
Employee benefits expense (<i>Note</i>):		
Salaries and other benefits in kind	19,188	15,691
Contributions to retirement benefit scheme	774	666
	<hr/>	<hr/>
Total employee benefits expense, including directors' emoluments	19,962	16,357
	<hr/> <hr/>	<hr/> <hr/>
Auditors' remuneration	540	540
Depreciation of property, plant and equipment	1,170	895
Listing expenses	281	8,350
Warranty expenses	407	431
Operating lease rentals in respect of:		
– premises	2,678	2,629
– office equipment	134	173
	<hr/> <hr/>	<hr/> <hr/>

Note:

During the year ended 31 March 2018, employee benefits expense of approximately HK\$9,385,000 (2017: HK\$8,125,000) was included in direct costs and approximately HK\$10,577,000 (2017: HK\$8,232,000) was included in administrative and other operating expenses.

5 FINANCE COSTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on bank overdraft	–	1
Interest on finance leases	105	42
	<hr/>	<hr/>
	105	43
	<hr/> <hr/>	<hr/> <hr/>

6 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current income tax – Hong Kong profits tax	97	2,241
Adjustment in respect of prior years	(16)	4
	<hr/>	<hr/>
Total current income tax	81	2,245
Deferred income tax	92	76
	<hr/>	<hr/>
Income tax expense	173	2,321
	<hr/> <hr/>	<hr/> <hr/>

7 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company
- by the weighted average number of ordinary shares outstanding during the financial year

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Earnings		
Profit attributable to owners of the Company for the year	<u>149</u>	<u>2,745</u>

2018 <i>'000</i>	2017 <i>'000</i>
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Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share

<u>793,973</u>	<u>600,000</u>
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The weighted average number of ordinary shares for the year ended 31 March 2018 was derived from 600,000,000 ordinary shares in issue and the effect of share offer (200,000,000 ordinary shares issued) by the Company.

The weighted average number of ordinary shares for the year ended 31 March 2017 was 600,000,000 ordinary shares in issue as if these 600,000,000 ordinary shares were outstanding throughout the year.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the years ended 31 March 2018 and 2017.

8 DIVIDENDS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interim dividend	<u>–</u>	<u>16,000</u>

During the year ended 31 March 2017, an interim dividend HK\$16,000,000 was declared by the subsidiary of the Company to their then equity owners prior to the Reorganisation. The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful for the preparation of these consolidated financial statements.

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2018 (2017: Nil), nor has any dividend been proposed since the end of the reporting period.

9 TRADE AND OTHER RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	770	641
Other receivables, deposits and prepayments	6,698	6,185
	7,468	6,826

Notes:

- (a) The credit period granted to customers is 0-30 days (2017: 0-30 days) generally. Trade receivables are denominated in HK\$.
- (b) The ageing analysis of the trade receivables based on invoice date is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0-30 days	146	336
31-60 days	581	20
61-90 days	5	9
Over 90 days	38	276
	770	641

Trade receivables of approximately HK\$146,000 as at 31 March 2018 (2017: HK\$336,000) were not yet past due, and approximately HK\$624,000 as at 31 March 2018 (2017: HK\$305,000) were past due but not impaired. These relate to a number of independent customers of whom there is no recent history of default and no provision has therefore been made.

- (c) The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

10 SHARE CAPITAL

As at 1 April 2016, the share capital represents the aggregate of the paid up share capital of the companies comprising the Group held by the controlling shareholder of the Company prior to the Reorganisation.

Details of the Company's authorised and issued ordinary share capital are as follows:

	<i>Note</i>	Number of ordinary shares	Share Capital HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
As at 1 April 2016		38,000,000	380
Increase in number of authorised shares	<i>(a)</i>	962,000,000	9,620
As at 31 March 2017, 1 April 2017 and 31 March 2018		1,000,000,000	10,000
Issued and fully paid:			
As at 1 April 2016		1	–
Shares issued upon Reorganisation	<i>(b)</i>	599,999,999	6,000
As at 31 March 2017 and 1 April 2017		600,000,000	6,000
Issue of new shares under share offer	<i>(c)</i>	200,000,000	2,000
As at 31 March 2018		800,000,000	8,000

Notes:

- a) Pursuant to the resolutions passed by the sole shareholder of the Company on 24 March 2017, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 divided into 1,000,000,000 ordinary shares by the creation of an additional 962,000,000 ordinary shares of HK\$0.01 each, ranking pari passu in all respects with the existing shares.
- b) Pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of Kingsky Group Limited, a subsidiary of the Company, from Chun Wah on 24 March 2017, the Company credited the one (1) nil-paid ordinary share held by Chun Wah as fully paid and issued and allotted 599,999,999 ordinary shares in the Company, credited as fully-paid, to Chun Wah.
- c) The share offer comprises the placing and the public offer pursuant to the Listing. A total of initially 200,000,000 ordinary shares of HK\$0.01 each were made available under the share offer, of which 140,000,000 placing shares, representing 70% of the offer shares, were initially and conditionally placed with selected investors under the placing. The remaining 60,000,000 public offer shares, representing 30% of the offer shares, were initially offered to members of the public in Hong Kong under the public offer. The share offer was at a price of HK\$0.26 per share pursuant to the Listing.

11 TRADE AND OTHER PAYABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade payables	6,145	10,381
Other payables, deposits received in advance and accruals	6,421	12,510
	<hr/> 12,566 <hr/>	<hr/> 22,891 <hr/>

Notes:

- (a) Payment terms granted by suppliers and subcontractors are generally 0-30 days (2017: 0-30 days) from the invoice date of the relevant purchases and services provided.

The ageing analysis of trade payables based on the invoice date is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0-30 days	5,054	7,658
31-60 days	115	804
61-90 days	385	225
Over 90 days	591	1,694
	<hr/> 6,145 <hr/>	<hr/> 10,381 <hr/>

- (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 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. 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\$121.8 million and HK\$131.6 million, of which approximately HK\$106.7 million and HK\$114.7 million representing 87.6% and 87.1% of the Group's total revenue were generated from residential interior design and fit-out services for the years ended 31 March 2018 and 2017, respectively. Approximately HK\$14.4 million and HK\$15.6 million, representing 11.8% and 11.9% of the Group's total revenue were generated from commercial interior design and fit-out services for the years ended 31 March 2018 and 2017, respectively.

For the year ended 31 March 2018, the Group recorded a net profit of approximately HK\$315,000 as compared to approximately HK\$3.0 million for the same period in 2017. The Directors are of the view that the decrease in net profit was mainly attributable to (i) a decrease in revenue from residential interior design and fit-out projects; and (ii) the increase in Listing related professional fees and other operating expenses, which was partially offset by the decrease in listing expenses for the year ended 31 March 2018. In view of 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

As the Hong Kong home prices continues to rise in the past 12 months, residential properties are becoming less affordable to the mass market. Property developers continue to build smaller and smaller units to compensate for the rise in prices to make smaller homes more affordable. However, these smaller properties are still out of reach of some of the first time home buyers.

The Company is of the view that the current trend in the Hong Kong property market 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 on the 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 throughout Hong Kong in order to improve its reach to more potential customers. This involves opening more branches to serve more potential customers in areas previously not covered by the Group.

However, the Company is also aware of the rising cost of operating a business in Hong Kong, which is partly contributed by the rising property prices. Therefore, the Board remains cautious in expanding and will continue to monitor its cost, 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 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 7.4% to approximately HK\$121.8 million (2017: HK\$131.6 million), primarily attributable to decrease in revenue from residential interior design and fit-out projects.

Revenue by business nature	For the year ended 31 March			
	2018		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Residential interior design and fit-out services	106,735	87.6	114,660	87.1
Commercial interior design and fit-out services	14,359	11.8	15,609	11.9
Others	746	0.6	1,368	1.0
Total	<u>121,840</u>	<u>100.0</u>	<u>131,637</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 2018 and 2017:

Components of direct costs	For the year ended 31 March			
	2018		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Materials	25,880	28.8	23,751	25.0
Subcontracting charges	54,181	60.3	62,560	65.9
Staff costs	9,385	10.4	8,125	8.6
Warranty expenses	407	0.5	431	0.5
Total	<u>89,853</u>	<u>100.0</u>	<u>94,867</u>	<u>100.0</u>

The Group's direct costs decreased by approximately 5.3% from approximately HK\$94.9 million for the year ended 31 March 2017 to HK\$89.9 million for the year ended 31 March 2018. Such decrease was inline 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\$4.8 million, or 13.0%, from approximately HK\$36.8 million for the year ended 31 March 2017 to approximately HK\$32.0 million for the year ended 31 March 2018. The Group's gross profit margin was approximately 26.3% for the year ended 31 March 2018, representing a decrease of approximately 1.7 percentage points as compared to approximately 28.0% for the year ended 31 March 2017. The decrease in gross profit margin was mainly due to the rising cost of raw material and labor costs.

Administrative and other operating expenses

The Group's administrative and other operating expenses for the year ended 31 March 2018 were approximately HK\$31.5 million, representing an increase of approximately 0.3% from approximately HK\$31.4 million for the year ended 31 March 2017, primarily due to the increase in Listing related professional fees and other operating expenses, which was partially offset by the decrease in listing expenses for the year ended 31 March 2018.

Finance costs

Finance costs of the Group increased by approximately 144.2% from approximately HK\$43,000 for the year ended 31 March 2017 to approximately HK\$105,000 for the year ended 31 March 2018. The increase in finance costs was mainly attributable to the increase in interest on finance leases for the year ended 31 March 2018.

Income tax expenses

Income tax of the Group decreased from approximately HK\$2.3 million for the year ended 31 March 2017 to approximately HK\$173,000 for the year ended 31 March 2018. Such decrease was in line with the decrease in profit generated in subsidiaries.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the year ended 31 March 2018 amounted to approximately HK\$149,000, representing a substantial decrease as compared with profit of approximately HK\$2.7 million for the year ended 31 March 2017. It was mainly due to the decrease in revenue and increase in administrative and other operating expenses for reasons mentioned above.

BUSINESS OBJECTIVES AND STRATEGIES

The Group will endeavor to achieve the following business objectives:

Business strategy as stated in the Prospectus

Progress up to 31 March 2018

Expansion of market coverage in Hong Kong

- To acquire a new office in Tsuen Wan through mortgage financing and the related fees due to the acquisition of the new office, and the new office fit-out and refurbishment costs

In view of 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.

Strengthen sales and marketing efforts

- To engage in an informative advertising campaign by providing design and renovation information as a television programme
- 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 our services

The Group is in the progress of finding suitable media channels for engaging in an informative advertising campaign

The Group has increased the advertising frequency through magazine during the period

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

The Group has engaged a celebrity as our spokesperson

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

- To hire additional employees and talents
- To organise internal training and seminar
- To offer incentive bonus to employee

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

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

Portion of proceeds were used for hiring additional employees and talents

Business strategy as stated in the Prospectus

Progress up to 31 March 2018

Upgrade the information systems

- To pay deposit for system design and the stage payment for software development
- The new system needs to pair with the existing system which is experiencing unexpected delays

Development of fleet of vehicles

- To purchase a vehicle and the related fees due to the purchase of the vehicle
- The Group has purchased a vehicle and paid the relevant fees

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the issue of new shares of the Group 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 Group 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 2018:

	Planned use of proceeds from Listing Date to 31 March 2018 <i>HK\$ million</i>	Actual use of proceeds from Listing Date to 31 March 2018 <i>HK\$ million</i>
Expansion of market coverage in Hong Kong	7.7	–
Strengthen sales and marketing efforts	1.8	1.8
Recruiting high caliber talent and enhance internal training to support future growth	1.5	1.4
Upgrading information systems	0.5	–
Development of fleet of vehicles	1.0	0.5
General working capital	0.7	0.7
Total	<u>13.2</u>	<u>4.4</u>

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

The Company’s shares were successfully listed on GEM on 12 April 2017. 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 liabilities.

As at 31 March 2018, the Group had finance lease liabilities of approximately HK\$1.3 million which was denominated in Hong Kong Dollars (2017: approximately HK\$0.8 million). The Group's finance lease obligations were for the acquisition of motor vehicles to support its operations.

As at 31 March 2018, the Group had approximately HK\$48.7 million in cash and bank balance (2017: approximately HK\$12.1 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 2018, the gearing ratio of the Group was approximately 2.5% (2017: 17.9%). The decrease in gearing ratio was mainly due to strengthening of the Group's capital structure through the fund raised from the Listing. Gearing ratio is calculated as total interest-bearing liabilities divided by total capital. Total interest-bearing liabilities is calculated as total 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 2018, the Group has pledged its motor vehicles with net book value amounted to approximately HK\$1.4 million (2017: HK\$0.9 million), under non-cancellable 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 associated companies by the Company during the year ended 31 March 2018. There is no other plan for material investments or capital assets as at 31 March 2018.

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 2018.

COMMITMENTS

The Group did not have any material capital commitment as at 31 March 2018.

The contractual commitments mainly involve rental payable by the Group in respect of office premises and office equipment under non-cancellable operating leases. As at 31 March 2018, the Group's operating lease commitments were approximately HK\$3.2 million (2017: HK\$2.9 million).

RESULTS AND DIVIDENDS

Results of the Group for the year ended 31 March 2018 are set out in the consolidated financial statements from page 2 to page 13 of this announcement. The Directors do not recommend the payment of final dividend for the year ended 31 March 2018.

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 up to the date of this announcement.

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 2018.

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 core 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. This final results announcement of the Group for the year ended 31 March 2018 have been reviewed by the Audit Committee of the Company.

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 2018 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 2018. 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

EVENTS AFTER THE REPORTING PERIOD

Resignation of executive Director

Ms. So Hiu Bik resigned from her role as the executive Director with effect from 1 June 2018. For further details, please refer to the announcement of the Company dated 31 May 2018.

Expansion of new branch

The Group had extended its branch network to Tsim Sha Tsui and plan to open another branch in Yuen Long by the end of the June 2018. For further details, please refer to the announcement of the Company dated 13 June 2018.

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

Hong Kong, 14 June 2018

As at the date of this announcement, the Board comprises Mr. Chan Lai Sin, Mr. Gan Jianjun and Mr. Hung Lap Ka 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 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.