

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

## **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)**

### **FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 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.**

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*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 herein or this announcement misleading.*

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

*For the three months ended 30 June 2018*

The unaudited condensed consolidated results of the Group for the three months ended 30 June 2018, together with the unaudited comparative figures for the corresponding period in 2017, are as follows:

		<b>Unaudited</b>	
		<b>Three months ended 30 June</b>	
		<b>2018</b>	<b>2017</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	34,185	33,146
Direct costs		<u>(23,485)</u>	<u>(23,220)</u>
<b>Gross profit</b>		<b>10,700</b>	9,926
Other income and gain	3	35	–
Administrative and other operating expenses		<u>(8,535)</u>	<u>(9,204)</u>
<b>Operating profit</b>		<b>2,200</b>	722
Finance costs		<u>(15)</u>	<u>(16)</u>
<b>Profit before income tax</b>		<b>2,185</b>	706
Income tax expense	4	<u>(254)</u>	<u>(349)</u>
<b>Profit and total comprehensive income for the period</b>		<b><u>1,931</u></b>	<b><u>357</u></b>
<b>Profit and total comprehensive income for the period attributable to:</b>			
Owners of the Company		1,794	248
Non-controlling interests		<u>137</u>	<u>109</u>
		<b><u>1,931</u></b>	<b><u>357</u></b>
<b>Earnings per share attributable to owners of the Company for the period</b>			
– Basic and diluted earnings per share	5	<b><u>HK0.22 cents</u></b>	<b><u>HK0.03 cents</u></b>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2018

	Attributable to owners of the Company				Subtotal HK\$'000	Attributable to non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Retained earnings HK\$'000			
Balance at 1 April 2018 (Audited)	8,000	44,419	(5,899)	3,815	50,335	596	50,931
Profit and total comprehensive income for the period	–	–	–	1,794	1,794	137	1,931
Balance at 30 June 2018 (Unaudited)	<u>8,000</u>	<u>44,419</u>	<u>(5,899)</u>	<u>5,609</u>	<u>52,129</u>	<u>733</u>	<u>52,862</u>
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	–	–	–	248	248	109	357
Share issued pursuant to the share offer	2,000	50,000	–	–	52,000	–	52,000
Share issuance costs	–	(5,581)	–	–	(5,581)	–	(5,581)
Balance at 30 June 2017 (Unaudited)	<u>8,000</u>	<u>44,419</u>	<u>(5,899)</u>	<u>3,914</u>	<u>50,434</u>	<u>539</u>	<u>50,973</u>

# 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 by way of placing (the “Listing”) on 12 April 2017. 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.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), 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) Adoption of amendments to standards

The Group has adopted the following amendments to existing standards which are mandatory for the financial year beginning on or after 1 January 2018:

Annual Improvements Project (Amendments) – HKFRS 1 and HKAS 28	Annual Improvements 2014-2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKAS 40	Transfers of Investment Property

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



#### 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 8.25% on the first HK\$2 million of the estimated assessable profits and 16.5% on the estimated assessable profits above HK\$2 million during the three months ended 30 June 2018 (2017: 16.5%).

The amount of income tax expenses charged to the condensed consolidated statements of profit or loss and other comprehensive income represents:

	Unaudited Three months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Current income tax – Hong Kong profits tax	245	349
Deferred income tax	9	–
Income tax expense	<u>254</u>	<u>349</u>

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

##### (a) Basic

Basic earnings per share is calculated by dividing the 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 30 June	
	2018	2017
Profit for the period attributable to the owners of the Company (HK\$'000)	1,794	248
Weighted average number of ordinary shares in issue ('000)	800,000	775,824
Basic earnings per share (expressed in HK cents per share)	<u>0.22</u>	<u>0.03</u>

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the period ended 30 June 2017 was derived from 600,000,000 ordinary shares in issue and the effect of the share offer (200,000,000 ordinary shares issued) by the Company.

##### (b) Diluted

Diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the period ended 30 June 2018 and 2017.

#### 6. DIVIDENDS

The board of Directors (the “**Board**”) does not recommend a payment of any dividend in respect of the three months ended 30 June 2018 (2017: Nil).

## 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. 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\$34.2 million and HK\$33.1 million, of which approximately HK\$24.9 million and HK\$30.4 million representing approximately 72.8% and 91.8% of the Group's total revenue were generated from residential interior design and fit-out services for the three months ended 30 June 2018 and 2017, respectively. Approximately HK\$9.2 million and HK\$2.7 million, representing approximately 26.9% and 8.2% of the Group's total revenue were generated from commercial interior design and fit-out services for the three months ended 30 June 2018 and 2017, respectively.

For the three months ended 30 June 2018, the Group recorded a net profit of approximately HK\$1.9 million as compared to approximately HK\$0.4 million for the same period in 2017. The Directors are of the view that the increase of the Group's net profit was mainly attributable to (i) an increase in revenue from commercial interior design and fit-out projects; and (ii) the decrease in Listing expenses and related professional fee. In view of the steady revenue growth for the three months ended 30 June 2018 as compared to the same period in 2017 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

As the Hong Kong home prices continues to rise, 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 for some 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. The Group's revenue increased by approximately 3.0% from approximately HK\$33.1 million for the three months ended 30 June 2017 to approximately HK\$34.1 million for the three months ended 30 June 2018. Such increase was primarily attributable to the increase in revenue from commercial 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 increased by approximately 1.3% from approximately HK\$23.2 million for the three months ended 30 June 2017 to approximately HK\$23.5 million for the three months ended 30 June 2018. Such increase was in line with the increase in revenue for the same period.

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

Gross profit represents revenue less direct costs. The Group's gross profit increased by approximately HK\$0.8 million, or approximately 8.1%, from approximately HK\$9.9 million for the three months ended 30 June 2017 to approximately HK\$10.7 million for the three months ended 30 June 2018. The Group's gross profit margin was approximately 31.3% for the three months ended 30 June 2018, representing an increase of approximately 1.4 percentage points as compared to approximately 29.9% for the three months ended 30 June 2017. The increase in gross profit is mainly due to the increase in gross profit margin.

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

The Group's administrative and other operating expenses for the three months ended 30 June 2018 were approximately HK\$8.5 million, representing a decrease of approximately 7.6% from approximately HK\$9.2 million for the three months ended 30 June 2017, primarily due to decrease in Listing expenses and related professional fees for the three months ended 30 June 2018.

## **Profit attributable to equity holders of the Company**

As a result of the foregoing, the Group's profit attributable to owners of the Company for the three months ended 30 June 2018 amounted to approximately HK\$1.8 million, representing an increase of approximately HK\$1.6 million as compared with profit of approximately HK\$0.2 million for the three months ended 30 June 2017. It was mainly due to the increase in revenue and decrease in administrative and other operating expenses for reasons mentioned above.

## **DIVIDEND**

The Board does not recommend the payment of any dividend for the three months ended 30 June 2018.

## **OTHER INFORMATION**

### **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY**

As at 30 June 2018, 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 Securities and Futures Ordinance ("SFO") which are required 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 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 of the Company**

<b>Name</b>	<b>Capacity/nature of interest</b>	<b>Number of underlying Shares</b>	<b>Approximate percentage of shareholding</b>
Mr. Chan ( <i>Note 1</i> )	Interest of a controlled corporation	408,307,000	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 30 June 2018, 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 30 June 2018, 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 of the Company

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%
Mr. Sun Xincai	Beneficial owner	44,000,000	5.5%

#### 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 30 June 2018, there was no person or corporation, other than the Directors and chief executives of the Company whose interests are set out in the section “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 three months ended 30 June 2018.

## **COMPETITION AND CONFLICT OF INTERESTS**

None of the Directors or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) 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 three months ended 30 June 2018.

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 "**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 during the three months ended 30 June 2018.

## **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 three months ended 30 June 2018, 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 "**Frontpage Capital**"), save as the compliance adviser agreement entered into between the Company and the Frontpage Capital, none of Frontpage Capital or its directors, employees or associates (as defined under the GEM Listing Rules) 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**

We are committed to achieving and maintaining high standards of corporate governance, as our 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 set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the Code during the three months ended 30 June 2018 and up to the date of this announcement.

## **AUDIT COMMITTEE**

The audit committee of our Board (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 include 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 Stock Exchange's website 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 three months ended 30 June 2018 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 three months ended 30 June 2018 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 August 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.*