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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)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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 herein or this announcement misleading.*

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

For the three months and six months ended 30 September 2018

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

	Note	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	5	38,229	38,071	72,414	71,217
Direct costs		(28,341)	(26,584)	(51,826)	(49,804)
<b>Gross profit</b>		<b>9,888</b>	11,487	<b>20,588</b>	21,413
Other income and gains	5	25	48	60	48
Administrative and other operating expenses		(9,434)	(7,539)	(17,969)	(16,743)
<b>Operating profit</b>		<b>479</b>	3,996	<b>2,679</b>	4,718
Finance costs	7	(22)	(50)	(37)	(66)
<b>Profit before income tax</b>	6	<b>457</b>	3,946	<b>2,642</b>	4,652
Income tax expense	8	(167)	(801)	(421)	(1,150)
<b>Profit and total comprehensive income for the period</b>		<b>290</b>	3,145	<b>2,221</b>	3,502
<b>Profit and total comprehensive income for the period attributable to:</b>					
Owners of the Company		205	2,812	1,999	3,060
Non-controlling interests		85	333	222	442
		<b>290</b>	3,145	<b>2,221</b>	3,502
<b>Earnings per share attributable to owners of the Company for the period</b>					
– Basic and diluted earnings per share	9	<b>HK 0.03 cents</b>	HK 0.35 cents	<b>HK 0.25 cents</b>	HK 0.39 cents

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	<i>Note</i>	<b>Unaudited 30 September 2018 HK\$'000</b>	<b>Audited 31 March 2018 HK\$'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>11</i>	<b>13,406</b>	13,132
Deferred tax assets		<b>124</b>	89
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>13,530</b>	13,221
		<hr/>	<hr/>
<b>Current assets</b>			
Contract assets		<b>2,096</b>	–
Gross amounts due from customers for contract work		–	810
Trade and other receivables	<i>12</i>	<b>11,729</b>	7,468
Amount due from a director		–	1,095
Amount due from a related company	<i>13</i>	<b>4</b>	–
Current income tax recoverable		<b>1,792</b>	1,646
Cash and bank balances	<i>14</i>	<b>51,627</b>	48,678
		<hr/>	<hr/>
<b>Total current assets</b>		<b>67,248</b>	59,697
		<hr/>	<hr/>
<b>Total assets</b>		<b>80,778</b>	72,918
		<hr/>	<hr/>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	<i>15</i>	<b>8,000</b>	8,000
Reserves		<b>44,334</b>	42,335
		<hr/>	<hr/>
Equity attributable to:			
Owners of the Company		<b>52,334</b>	50,335
Non-controlling interests		<b>818</b>	596
		<hr/>	<hr/>
<b>Total equity</b>		<b>53,152</b>	50,931
		<hr/>	<hr/>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

		Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Finance lease liabilities	18	1,065	916
Deferred tax liabilities		202	175
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>1,267</b>	1,091
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current liabilities</b>			
Contract liabilities		8,802	–
Gross amounts due to customers for contract work		–	7,433
Trade and other payables	16	16,192	12,566
Amount due to a director		13	–
Amount due to a related company	17	8	8
Provision for warranties		754	537
Finance lease liabilities	18	590	352
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>26,359</b>	20,896
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total liabilities</b>		<b>27,626</b>	21,987
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total equity and liabilities</b>		<b>80,778</b>	72,918
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to owners of the Company				Attributable to non-controlling interests		Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000 <i>(Note i)</i>	Retained earnings HK\$'000	Sub-total HK\$'000	HK\$'000	
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	–	–	–	3,060	3,060	442	3,502
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 30 September 2017 (Unaudited)</b>	<b>8,000</b>	<b>44,419</b>	<b>(5,899)</b>	<b>6,726</b>	<b>53,246</b>	<b>872</b>	<b>54,118</b>
Balance at 1 April 2018 (Audited)	<b>8,000</b>	<b>44,419</b>	<b>(5,899)</b>	<b>3,815</b>	<b>50,335</b>	<b>596</b>	<b>50,931</b>
Profit and total comprehensive income for the period	–	–	–	1,999	1,999	222	2,221
<b>Balance at 30 September 2018 (Unaudited)</b>	<b>8,000</b>	<b>44,419</b>	<b>(5,899)</b>	<b>5,814</b>	<b>52,334</b>	<b>818</b>	<b>53,152</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.

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Unaudited	
	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	4,066	4,835
Tax paid	(575)	(645)
	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	<b>3,491</b>	<b>4,190</b>
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Interest received	52	34
Purchases of property, plant and equipment	(328)	(509)
Proceeds from disposal of property, plant and equipment	–	14
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(276)</b>	<b>(461)</b>
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Interest paid	(37)	(66)
Repayment of finance lease liabilities	(229)	(719)
Net proceeds from shares issuances	–	46,419
	<hr/>	<hr/>
<b>Net cash (used in)/generated from financing activities</b>	<b>(266)</b>	<b>45,634</b>
	<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>	<b>2,949</b>	<b>49,363</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>48,678</b>	<b>12,104</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of period</b>	<b>51,627</b>	<b>61,467</b>
	<hr/> <hr/>	<hr/> <hr/>

# NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

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 (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 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.

This 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 Chapter 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.

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### (a) Adoption of new and amendments to standards

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 new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

#### *Impacts and changes in accounting policies of applications on HKFRS 15 Revenue from Contracts with Customers*

The following table summarises the impact of applying HKFRS 15 on the Group's unaudited condensed consolidated statement of financial position as at 30 September 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Impact on the unaudited condensed consolidated statement of financial position

	<b>Amounts reported in accordance with HKFRS 15 HK\$'000</b>	<b>Estimated impact of the adoption of HKFRS 15 HK\$'000</b>	<b>Amounts without application of HKFRS 15 HK\$'000</b>
<b>Current assets</b>			
Contract assets	2,096	(2,096)	–
Gross amounts due from customers for contract work	–	2,096	2,096
<b>Current liabilities</b>			
Contract liabilities	8,802	(8,802)	–
Gross amounts due to customers for contract work	–	8,802	8,802

Except as described above, the adoption of the above new and amendments to standards did not have any significant financial impact on the unaudited condensed consolidated financial statements.

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

- (b) The following new standards and revisions to standards have been issued, but are not effective for the financial year beginning 1 January 2018 and have not been early adopted by the Group:

		Effective for accounting year beginning on or after
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Improvements to HKFRSs	Annual Improvements 2015-2017 Cycle	1 January 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group will apply the above new standards, amendments to standards and interpretation when they become effective. The Group is in the process of making an assessment of the impact of these new standards, amendments to standards and interpretations.

### 3 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2018.

## 4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks which include interest rate risk, credit risk and liquidity risk. The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements as at 31 March 2018.

There have been no changes in the risk management policies since year end.

### 4.2 Liquidity risk

Compared to year end, there have been no material changes to the policies and practices for the Group's liquidity and funding risks management as described in the consolidated financial statements for the year ended 31 March 2018.

### 4.3 Fair value estimation

As at 31 March 2018 and 30 September 2018, the Group did not have any financial assets or financial liabilities that are measured at fair value.

The carrying values of receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 5 REVENUE, OTHER INCOME AND GAINS

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

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 September		30 September	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>				
Residential interior design and fit-out services	34,710	32,094	59,633	62,522
Commercial interior design and fit-out services	3,443	5,843	12,652	8,525
Others	76	134	129	170
	<u>38,229</u>	<u>38,071</u>	<u>72,414</u>	<u>71,217</u>
	<b>38,229</b>	<b>38,071</b>	<b>72,414</b>	<b>71,217</b>
	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 September		30 September	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other income and gains</b>				
Gain on disposal of property, plant and equipment	–	14	–	14
Interest income	17	34	52	34
Others	8	–	8	–
	<u>25</u>	<u>48</u>	<u>60</u>	<u>48</u>
	<b>25</b>	<b>48</b>	<b>60</b>	<b>48</b>

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 6 PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging the following items:

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 September		30 September	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of owned assets <i>(Note 11)</i>	226	224	442	429
Depreciation of assets under finance leases <i>(Note 11)</i>	125	68	228	90
Legal and professional fee	734	590	1,232	1,560
Materials	6,158	7,948	9,926	14,005
Operating lease rental on premises	890	677	1,702	1,406
Operating lease rental on office equipment	35	32	71	65
Subcontracting charges	20,315	16,037	38,065	30,907
Staff costs, including directors' emoluments	4,562	5,211	9,077	9,904
Listing expenses	–	–	–	281
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 7 FINANCE COSTS

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Interest on finance leases	<u>22</u>	<u>50</u>	<u>37</u>	<u>66</u>

### 8 INCOME TAX EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

For the period ended 30 September 2018, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5% on the estimated assessable profits.

Hong Kong profits tax is provided at 16.5% on the estimated assessable profits for the period ended 30 September 2017.

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 30 September		Unaudited Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Current income tax – current period	185	726	430	1,075
Deferred income tax	(18)	75	(9)	75
Income tax expense	<u>167</u>	<u>801</u>	<u>421</u>	<u>1,150</u>

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 9 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 September		Unaudited Six months ended 30 September	
	2018	2017	2018	2017
Profit for the period attributable to the owners of the Company (HK\$'000)	205	2,812	1,999	3,060
Weighted number of ordinary shares in issue ('000)	800,000	800,000	800,000	787,978
Basic earnings per share (expressed in HK cents per share)	<u>0.03</u>	<u>0.35</u>	<u>0.25</u>	<u>0.39</u>

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

#### (b) Diluted

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

### 10 DIVIDENDS

The board of Directors (the “**Board**”) does not recommend a payment of an interim dividend in respect of the six months ended 30 September 2018 (2017: Nil).

# NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 11 PROPERTY, PLANT AND EQUIPMENT

	Building HK\$'000	Computer equipment HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Audited</b>							
Cost							
As at 1 April 2017	10,320	2,371	979	628	601	1,772	16,671
Additions	–	137	28	20	–	1,829	2,014
Disposals	–	–	–	–	–	(122)	(122)
As at 31 March 2018	<u>10,320</u>	<u>2,508</u>	<u>1,007</u>	<u>648</u>	<u>601</u>	<u>3,479</u>	<u>18,563</u>
Accumulated depreciation							
As at 1 April 2017	189	1,926	571	332	502	863	4,383
Charge for the year	226	166	100	79	25	574	1,170
Disposals	–	–	–	–	–	(122)	(122)
As at 31 March 2018	<u>415</u>	<u>2,092</u>	<u>671</u>	<u>411</u>	<u>527</u>	<u>1,315</u>	<u>5,431</u>
Net book value							
As at 31 March 2018	<u>9,905</u>	<u>416</u>	<u>336</u>	<u>237</u>	<u>74</u>	<u>2,164</u>	<u>13,132</u>
<b>Unaudited</b>							
Cost							
As at 1 April 2018	10,320	2,508	1,007	648	601	3,479	18,563
Additions	–	61	58	118	21	686	944
Disposals	–	–	–	–	–	–	–
As at 30 September 2018	<u>10,320</u>	<u>2,569</u>	<u>1,065</u>	<u>766</u>	<u>622</u>	<u>4,165</u>	<u>19,507</u>
Accumulated depreciation							
As at 1 April 2018	415	2,092	671	411	527	1,315	5,431
Charge for the period (Note 6)	113	92	55	45	14	351	670
Disposals	–	–	–	–	–	–	–
As at 30 September 2018	<u>528</u>	<u>2,184</u>	<u>726</u>	<u>456</u>	<u>541</u>	<u>1,666</u>	<u>6,101</u>
Net book value							
As at 30 September 2018	<u>9,792</u>	<u>385</u>	<u>339</u>	<u>310</u>	<u>81</u>	<u>2,499</u>	<u>13,406</u>

# NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 12 TRADE AND OTHER RECEIVABLES

	<b>Unaudited</b> <b>30 September 2018</b> <b>HK\$'000</b>	Audited 31 March 2018 HK\$'000
Trade receivables	1,559	770
Other receivables, deposits and prepayments	10,170	6,698
	<u>11,729</u>	<u>7,468</u>

*Notes:*

- (a) The credit period granted to customers is 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:

	<b>Unaudited</b> <b>30 September 2018</b> <b>HK\$'000</b>	Audited 31 March 2018 HK\$'000
0-30 days	996	146
31-60 days	73	581
61-90 days	13	5
Over 90 days	477	38
	<u>1,559</u>	<u>770</u>

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

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 13 AMOUNT DUE FROM A RELATED COMPANY

	<b>Unaudited</b>	Audited
	<b>30 September 2018</b>	31 March 2018
	<b>HK\$'000</b>	HK\$'000
<b>Name of related company</b>		
Rising Wing Enterprises Limited (“ <b>Rising Wing</b> ”)	<u>4</u>	<u>–</u>

The balance is denominated in HK\$. The amount due to a related company is unsecured, interest-free and repayable on demand (Note 20).

### 14 CASH AND BANK BALANCES

	<b>Unaudited</b>	Audited
	<b>30 September 2018</b>	31 March 2018
	<b>HK\$'000</b>	HK\$'000
Cash at banks	<b>51,448</b>	48,416
Cash on hand	<u>179</u>	<u>262</u>
Cash and cash equivalents	<u><b>51,627</b></u>	<u>48,678</u>

*Notes:*

- (a) The carrying amounts of cash and cash equivalents are denominated in HK\$ and Renminbi.
- (b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 15 SHARE CAPITAL

The share capital balance as at 30 September 2018 in the unaudited condensed consolidated statement of financial position represented the issued share capital of the Company. Details of the authorised and issued and fully paid share capital of the Company are summarised as follows:

	<b>Number of shares (in thousand)</b>	<b>Share capital HK\$'000</b>
<b>Ordinary shares of HK\$0.01 each</b>		
<b>Authorised:</b>		
As at 31 March 2018 and 30 September 2018	1,000,000	10,000
	<u>1,000,000</u>	<u>10,000</u>
<b>Issued and fully paid:</b>		
As at 31 March 2018 and 30 September 2018	800,000	8,000
	<u>800,000</u>	<u>8,000</u>

# NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 16 TRADE AND OTHER PAYABLES

	<b>Unaudited</b> <b>30 September 2018</b> <b>HK\$'000</b>	Audited 31 March 2018 HK\$'000
Trade payables	10,646	6,145
Other payables, deposits received in advance and accruals	5,546	6,421
	<u>16,192</u>	<u>12,566</u>

*Notes:*

- (a) Payment terms granted by suppliers are generally 0-30 days from the invoice date of the relevant purchases.

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

	<b>Unaudited</b> <b>30 September 2018</b> <b>HK\$'000</b>	Audited 31 March 2018 HK\$'000
0-30 days	2,793	5,054
31-60 days	3,896	115
61-90 days	2,655	385
Over 90 days	1,302	591
	<u>10,646</u>	<u>6,145</u>

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

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 17 AMOUNT DUE TO A RELATED COMPANY

Name of related company	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Hong Kong Famous Designers Association Limited (“HKFDA”)	<u>8</u>	<u>8</u>

The balance is denominated in HK\$. The amount due to a related company is unsecured, interest-free and repayable on demand (Note 20).

### 18 FINANCE LEASE LIABILITIES

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
<b>Non-current, secured</b>		
Finance lease liabilities	1,065	916
<b>Current, secured</b>		
Finance lease liabilities	<u>590</u>	<u>352</u>
<b>Total</b>	<u><u>1,655</u></u>	<u><u>1,268</u></u>

*Notes:*

- (a) The Group had committed finance lease facilities which bore interest ranged from approximately 2% to 2.5% per annum as at 30 September 2018 (31 March 2018: approximately 2.5% per annum).
- (b) The carrying amounts of all finance lease liabilities are denominated in HK\$.

19 COMMITMENTS

**Operating Lease commitments – Group as lessee**

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases were payable as follows:

	<b>Unaudited</b>	Audited
	<b>30 September</b>	31 March
	<b>2018</b>	2018
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>3,186</b>	2,007
In the second to fifth years inclusive	<b>2,263</b>	1,200
	<u>5,449</u>	<u>3,207</u>
	<b>5,449</b>	<b>3,207</b>

The Group is the lessee in respect of office premises and office equipment under operating leases. The leases typically run for initial periods ranging from 2 to 5 years.

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 20 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

Save as disclosed in Notes 13 and 17 to the unaudited condensed consolidated financial statements, the Group entered into the following material transactions with related parties during the period:

- (a) **The directors of the Company are of the view that the following companies that had transactions or balances with the Group are related parties:**

Name of entities	Relationship with the Group
Happy Field Corporation Limited (“ <b>Happy Field</b> ”)	A related company is owned by Mr. Chan.
Rising Wing	A related company is owned by Mr. Chan.
HKFDA	A related company is controlled by Mr. Chan.

- (b) **Transactions with related parties**

	Note	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2018	2017	2018	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Rental of offices paid to:					
Happy Field	(i) & (ii)	-	126	-	280
Rising Wing	(i) & (ii)	80	80	161	160
		<u>80</u>	<u>80</u>	<u>161</u>	<u>160</u>

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Notes:

- (i) The rental expenses for premises paid to the above related parties are based on the agreements entered into between the parties involved.
- (ii) These related party transactions will constitute connected transactions or continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.

### (c) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive for the reporting period are as follows:

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Salaries and other benefits	931	959	1,938	1,888
Retirement scheme contributions	13	18	31	35
	<u>944</u>	<u>977</u>	<u>1,969</u>	<u>1,923</u>

## 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\$72.4 million and HK\$71.2 million, of which approximately HK\$59.6 million and HK\$62.5 million representing approximately 82.3% and 87.8% of the Group's total revenue were generated from residential interior design and fit-out services for the six months ended 30 September 2018 and 2017, respectively. Approximately HK\$12.7 million and HK\$8.5 million, representing approximately 17.5% and 11.9% of the Group's total revenue were generated from commercial interior design and fit-out services for the six months ended 30 September 2018 and 2017, respectively.

For the six months ended 30 September 2018, the Group recorded a net profit of approximately HK\$2.2 million as compared to net profit of approximately HK\$3.5 million for the same period in 2017. The Directors are of the view that the decrease of the Group's net profit during the six months ended 30 September 2018 was mainly due to (i) the decrease of the Group's gross profit which resulted from the increase in the direct costs of the Group; and (ii) the increase in the Group's other operating expenses due to the implementation of the Group's expansion plan, as outlined in the prospectus of the Company dated 31 March 2017 (the "**Prospectus**"). In view of the steady revenue growth for the six months ended 30 September 2018 as compared to the same period in 2017 and the latest negotiations with the Group's 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.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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 its marketing and promotional strategy, as outlined in 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 costs 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 costs, as well as the current market trend to anticipate any downturn or changes in the current property market trend.

### **FINANCIAL REVIEW**

#### **Revenue**

The Group's revenue is primarily generated from 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 1.7% from approximately HK\$71.2 million for the six months ended 30 September 2017 to approximately HK\$72.4 million for the six months ended 30 September 2018. Such increase was primarily attributable to the increase in revenue from the Group's business segment in providing commercial interior design and fit-out services.

#### **Direct costs**

The Group's direct costs consist primarily of (i) materials; (ii) subcontracting charges; and (iii) staff costs. The Group's direct costs increased by approximately 4.0% from approximately HK\$49.8 million for the six months ended 30 September 2017 to approximately HK\$51.8 million for the six months ended 30 September 2018. The increase in direct costs was in line with the increase in revenue.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Gross profit and gross profit margin

Gross profit represents revenue less direct costs. The Group's gross profit decreased by approximately HK\$0.8 million, or approximately 3.7%, from approximately HK\$21.4 million for the six months ended 30 September 2017 to approximately HK\$20.6 million for the six months ended 30 September 2018. The Group's gross profit margin was approximately 28.5% for the six months ended 30 September 2018, representing a decrease of approximately 1.6 percentage points as compared to approximately 30.1% for the six months ended 30 September 2017. The decrease in gross profit is mainly due to the rising cost of subcontracting charges.

### Administrative and other operating expenses

The Group's administrative and other operating expenses for the six months 30 September 2018 was approximately HK\$18.0 million, representing an increase of approximately 7.8% from approximately HK\$16.7 million for the six months ended 30 September 2017, primarily due to the implementation of the Group's expansion plan to support its business growth for the six months ended 30 September 2018.

### Profit attributable to owners of the Company

Profit attributable to owners of the Company for the six months ended 30 September 2018 amounted to approximately HK\$2.0 million as compared with profit of approximately HK\$3.1 million for the six months ended 30 September 2017. The decrease in net profit is mainly due to increase in advertising expense.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress up to 30 September 2018.

### Business plan as set in the Prospectus

### Progress up to 30 September 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 cautions approach towards the acquisition of property 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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business plan as set in the Prospectus

### Progress up to 30 September 2018

#### Strengthen sales and marketing efforts

- To engage in an informative advertising campaign by providing design and renovation information as a television programme  
The Group is in the progress of finding a suitable media channel for engaging in an informative advertising campaign
- To increase advertising frequency on traditional media such as weekly magazine and billboards  
The Group has increased the advertising frequency through magazine during the period
- To increase online advertisement  
The Group has increased its online advertisements during the period
- To engage a celebrity to market and endorse the Group's services  
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  
The Group has hired additional project supervisors, draftsman and designer assistants to facilitate its business development
- To organise internal training and seminar  
The Group has provided internal training to its existing and recently hired staff
- To offer incentive bonus to employees  
The Group has used its portion of proceeds to hire additional employees and talents

#### Upgrade the Group's information systems

- To pay deposit and stage payment for software development  
The Group is in the progress of searching suitable service provider to migrate its data to the new system

#### Development of fleet of vehicles

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 GEM on 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 30 September 2018:

	<b>Planned use of proceeds up to 30 September 2018 HK\$ million</b>	<b>Actual use of proceeds balance up to 30 September 2018 HK\$ million</b>
Expansion of market coverage in Hong Kong	7.7	–
Strengthen sales and marketing efforts	2.5	2.5
Recruiting high caliber talent and enhance internal training to support future growth	2.3	2.1
Upgrading information systems	1.3	–
Development of fleet of vehicles	1.5	1.1
General working capital	1.1	1.1
	<hr/>	<hr/>
Total	<b>16.4</b>	<b>6.8</b>

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 Group's shares were successfully listed on GEM on the Listing Date. 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.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **LIQUIDITY AND FINANCIAL RESOURCES**

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

As at 30 September 2018, the Group had finance lease liabilities of approximately HK\$1.7 million which was denominated in Hong Kong dollars (31 March 2018: HK\$1.3 million). The Group's finance lease obligations were for the acquisition of motor vehicles to support its operations.

As at 30 September 2018, the Group had approximately HK\$51.6 million in cash and bank balances (31 March 2018: approximately HK\$48.7 million). The Directors believe that the Group is in a healthy financial position to expand its core business and to achieve its business objectives.

### **BORROWINGS AND GEARING RATIO**

As at 30 September 2018, the gearing ratio of the Group was approximately 3.1% (31 March 2018: 2.5%). The increase in gearing ratio was mainly due to the increase in finance lease obligations for acquisition of motor vehicles. 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 30 September 2018, the Group has pledged its motor vehicle with net book value amount of approximately HK\$1.8 million (31 March 2018: HK\$1.4 million), under non-cancellable finance lease agreements.

### **SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND FUTURE 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 six months ended 30 September 2018. There are no other plans for material investments or capital assets as at 30 September 2018.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **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 POLICY**

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 30 September 2018 (31 March 2018: Nil).

### **COMMITMENTS**

The Group did not have any material capital commitment as at 30 September 2018 (31 March 2018: Nil).

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 30 September 2018, the Group's operating lease commitments were approximately HK\$5.4 million (31 March 2018: HK\$3.2 million).

### **SEGMENT INFORMATION**

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

### **DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **INFORMATION ON EMPLOYEES**

As at 30 September 2018, the Group had 74 employees working in Hong Kong (31 March 2018: 63). Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of trainings were provided to the employees. The total staff cost (including remuneration of Directors and mandatory provident funds contributions) for the period ended 30 September 2018 amounted to approximately HK\$9.1 million (30 September 2017: HK\$9.9 million).

## OTHER INFORMATION

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

As at 30 September 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

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 30 September 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.

## OTHER INFORMATION

### 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 September 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%
Ms. Cai Hui Ting	Beneficial owner	84,230,000	10.53%
Mr. Sun Xincai	Beneficial owner	44,000,000	5.50%

#### 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 September 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 “Other information – Directors’ and chief executives’ interests and short positions in Shares, underlying Shares and debentures” above, had any interest or a short position in the Shares or underlying Shares of the Company 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 required to be kept by the Company 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 meeting of the Company or any other member of the Group.

## **OTHER INFORMATION**

### **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 six months ended 30 September 2018.

### **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 compete or may compete with the business of the Group or has any other conflict of interests with the Group for the six months ended 30 September 2018.

#### **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) on 24 March 2017. 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 Dealing and there was no event of non-compliance during the six months ended 30 September 2018.

## **OTHER INFORMATION**

### **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 – D. Share option scheme” in Appendix V to the Prospectus.

For the six months ended 30 September 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 (“**Frontpage Capital**”), save as the compliance adviser agreement entered into between the Company and 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 (the “**CG Code**”) set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code during the six months ended 30 September 2018 and up to the date of this announcement.

## OTHER INFORMATION

### 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 six months ended 30 September 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 six months ended 30 September 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, 7 November 2018

*As at the date of this announcement, the Board comprises Mr. Chan Lai Sin 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 Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and will be published on the Company’s website at [www.dic.hk](http://www.dic.hk).*