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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 2019**

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

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

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

*This announcement, for which the directors (the “**Directors**”) of Lai Group Holding Company Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this announcement misleading.*

## FINAL RESULTS

The board of Directors (the “**Board**”) of the Company announces the consolidated results of the Group for the year ended 31 March 2019, together with the comparative figures for the year ended 31 March 2018. 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 2019

	Note	2019 HK\$'000	2018 HK\$'000
Revenue	3	133,177	121,840
Direct costs		<u>(99,874)</u>	<u>(89,853)</u>
Gross profit		33,303	31,987
Other income and gain	3	214	117
Administrative and other operating expenses		<u>(36,431)</u>	<u>(31,511)</u>
Operating (loss)/profit	4	(2,914)	593
Finance costs	5	<u>(78)</u>	<u>(105)</u>
(Loss)/profit before income tax		(2,992)	488
Income tax credit/(expense)	6	<u>127</u>	<u>(173)</u>
<b>(Loss)/profit and total comprehensive (expense)/income for the year</b>		<b><u>(2,865)</u></b>	<b><u>315</u></b>
<b>(Loss)/profit and total comprehensive (expense)/income for the year attributable to:</b>			
Owners of the Company		(2,990)	149
Non-controlling interests		<u>125</u>	<u>166</u>
		<b><u>(2,865)</u></b>	<b><u>315</u></b>
<b>(Loss)/earnings per share attributable to owners of the Company</b>			
– Basic and diluted (loss)/earnings per share (HK cent)	7	<b><u>(0.37)</u></b>	<b><u>0.02</u></b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		12,748	13,132
Deferred tax assets		<u>232</u>	<u>89</u>
		<u>12,980</u>	<u>13,221</u>
<b>Current assets</b>			
Contract assets		568	–
Gross amounts due from customers for contract work		–	810
Trade and other receivables	9	8,985	7,468
Amount due from a director		96	1,095
Current income tax recoverable		2,149	1,646
Cash and bank balances		<u>53,106</u>	<u>48,678</u>
		<u>64,904</u>	<u>59,697</u>
<b>Total assets</b>		<u><b>77,884</b></u>	<u><b>72,918</b></u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital		8,000	8,000
Reserves		<u>39,306</u>	<u>42,335</u>
Equity attributable to:			
Owners of the Company		47,306	50,335
Non-controlling interests		<u>721</u>	<u>596</u>
<b>Total equity</b>		<u><b>48,027</b></u>	<u><b>50,931</b></u>

	<i>Note</i>	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Contract liabilities		<b>17,940</b>	–
Gross amounts due to customers for contract work		–	7,433
Trade and other payables	<i>10</i>	<b>9,154</b>	12,566
Amount due to a related company		<b>8</b>	8
Provision for warranties		<b>1,229</b>	537
Finance lease liabilities		<b>596</b>	352
		<u><b>28,927</b></u>	<u>20,896</u>
<b>Non-current liabilities</b>			
Finance lease liabilities		<b>775</b>	916
Deferred tax liabilities		<b>155</b>	175
		<u><b>930</b></u>	<u>1,091</u>
<b>Total liabilities</b>		<u><b>29,857</b></u>	<u>21,987</u>
<b>Total equity and liabilities</b>		<u><b>77,884</b></u>	<u>72,918</u>
<b>Net current assets</b>		<u><b>35,977</b></u>	<u>38,801</u>
<b>Total assets less current liabilities</b>		<u><b>48,957</b></u>	<u>52,022</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 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 the 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.

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 Hong Kong Institute of Certified Public Accountants (“**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 amendments to HKFRSs that are mandatorily effective for the current year*

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
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
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

## HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from provision of interior design and fit-out services which arise from contracts with customers.

### Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	<i>Notes</i>	<b>Carrying amounts previously reported at 31 March 2018 HK\$'000</b>	<b>Impact HK\$'000</b>	<b>Carrying amounts under HKFRS 15 at 1 April 2018* HK\$'000</b>
Contract assets	(a)	–	810	810
Gross amounts due from customers				
for contract work	(a)	810	(810)	–
Contract liabilities	(b)	–	11,166	11,166
Gross amounts due to customers				
for contract work	(b)	7,433	(7,433)	–
Trade and other payables	(b)	12,566	(3,733)	8,833

\* The amounts in this column are before the adjustments from the application of HKFRS 9.

### Notes:

- (a) Amount of approximately HK\$810,000 arising from the construction contracts are for work completed and not billed because the rights are conditioned on factors other than passage of time, and such amount was reclassified from gross amounts due from customers for contract work to contract assets.
- (b) Contract liabilities recognised in relation to construction contracts were previously presented as gross amounts due to customers for contract work and deposits received from customers classified within trade and other payables.

The following table summarises the impacts of applying HKFRS 15 on the Group’s consolidated statement of financial position as at 31 March 2019 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	<b>As reported</b> <i>HK\$’000</i>	<b>Adjustments</b> <i>HK\$’000</i>	<b>Amounts without application of HKFRS 15</b> <i>HK\$’000</i>
Contract assets	568	(568)	–
Gross amounts due from customers for contract work	–	568	568
Contract liabilities	17,940	(17,940)	–
Gross amounts due to customers for contract work	–	14,352	14,352
Trade and other payables	9,154	3,588	12,742

The explanations of the above changes affected in the current year by the application of HKFRS 15 as compared to HKAS 11, HKAS 18 and the related interpretations are similar to the explanations set out in notes (a) and (b) above for describing the adjustments made to the consolidated statement of financial position at 1 April 2018 upon adoption of HKFRS 15.

The adoption of HKFRS 15 has no material impact to the consolidated statement of profit or loss and comprehensive income and has no material impact to the net cash flows from operating, investing and financing activities on the consolidated statement of cash flows.

### **HKFRS 9 *Financial Instruments***

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and other items (for example, contract assets) and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between the carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained earnings, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at fair value through profit or loss. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Under HKFRS 9, the classification for all of the Group's financial assets and financial liabilities measured at amortised cost remain the same.

Impairment under ECL Model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. Except for those which had been determined as credit impaired under HKAS 39, contract assets and trade receivables have been assessed by grouping the balances based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including deposits and other receivables, amount due from a director and cash and bank balances are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, additional credit loss allowances of approximately HK\$47,000 has been recognised against retained earnings. The additional loss allowance is charged against the respective asset.

All loss allowances as at 31 March 2018 reconciled to the opening loss allowances as at 1 April 2018 are as follows:

	<b>Contract assets HK\$'000</b>	<b>Trade receivables HK\$'000</b>	<b>Other receivables HK\$'000</b>
At 31 March 2018 – HKAS 39	–	–	–
Amount remeasured through opening retained earnings	7	39	1
At 1 April 2018 – HKFRS 9	<u>7</u>	<u>39</u>	<u>1</u>

The following table summarises the impact of transition to HKFRS 9 on retained earnings at 1 April 2018.

HK\$'000

**Retained earnings**

Recognition of impairment loss	(47)
Tax effect	8

Impact at 1 April 2018	<u><u>(39)</u></u>
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*Summary of effects arising from initial application of HKFRS 9 and HKFRS 15*

As a result of the changes in the Group's accounting policies above, the table below illustrates the overall application on HKFRS 9 and HKFRS 15 at the date of initial application, 1 April 2018. Line items that were not affected by the changes have not been included.

	<b>31 March 2018</b>	<b>HKFRS 15</b>	<b>HKFRS 9</b>	<b>1 April 2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>(Restated)</b>
				<i>HK\$'000</i>
Deferred tax assets	89	–	8	97
Contract assets	–	810	(7)	803
Gross amounts due from customers				
for contract work	810	(810)	–	–
Trade and other receivables	7,468	–	(40)	7,428
Contract liabilities	–	11,166	–	11,166
Gross amounts due to customers				
for contract work	7,433	(7,433)	–	–
Trade and other payables	12,566	(3,733)	–	8,833
Retained earnings	3,815	–	(39)	3,776

The Group has not early applied any new and amendments to HKFRSs that have been issued but are not yet effective.

### 3 REVENUE, OTHER INCOME AND GAIN AND SEGMENT INFORMATION

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

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Revenue</b>		
Residential interior design and fit-out services	<b>112,567</b>	106,735
Commercial interior design and fit-out services	<b>20,610</b>	14,359
Others	–	746
	<u><b>133,177</b></u>	<u>121,840</u>
	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Other income and gain</b>		
Gain on disposal of property, plant and equipment	–	14
Interest income	<b>118</b>	102
Others	<b>96</b>	1
	<u><b>214</b></u>	<u>117</u>

#### Disaggregation of revenue from contracts with customers

	<b>2019</b> <i>HK\$'000</i>
<b>Timing of revenue recognition</b>	
Over-time	<u><b>133,177</b></u>
<b>Types of goods and services</b>	
Interior design and fit-out services	<u><b>133,177</b></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 this announcement. Also, the Group only engages its business in Hong Kong. Therefore, no segment information is presented.

As no revenue derived from sales to a single customer of the Group has individually accounted for over 10% of the Group's total revenue during the year ended 31 March 2019 (2018: Nil), no information about major customers is presented.

#### 4 OPERATING (LOSS)/PROFIT

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Operating (loss)/profit has been arrived after charging:		
Employee benefits expense ( <i>Note</i> )		
Salaries and other benefits in kind	16,885	19,188
Contributions to retirement benefit scheme	<u>601</u>	<u>774</u>
Total employee benefits expense, including directors' emolument	<u><u>17,486</u></u>	<u><u>19,962</u></u>
Auditors' remuneration	600	540
Depreciation of property, plant and equipment	1,374	1,170
Listing expenses	–	281
Warranty expenses	1,884	407
Operating lease rental in respect of:		
– premises	3,593	2,678
– office equipment	<u>143</u>	<u>134</u>

*Note:* During the year ended 31 March 2019, employee benefits expense of approximately HK\$7,320,000 (2018: HK\$9,385,000) was included in direct costs and approximately HK\$10,166,000 (2018: HK\$10,577,000) was included in administrative and other operating expenses.

#### 5 FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest on finance leases	<u>78</u>	<u>105</u>

#### 6 INCOME TAX (CREDIT)/EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current income tax – Hong Kong Profits Tax	37	97
Adjustment in respect of prior years	<u>(9)</u>	<u>(16)</u>
Total current income tax	28	81
Deferred income tax	<u>(155)</u>	<u>92</u>
Income tax (credit)/expense	<u><u>(127)</u></u>	<u><u>173</u></u>

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong for the year ended 31 March 2018.

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

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

## 7 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing:

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

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
<b>(Loss)/earnings</b>		
(Loss)/profit attributable to owners of the Company for the year	<u><u>(2,990)</u></u>	<u><u>149</u></u>
	<b>2019</b>	2018
	<b>'000</b>	<b>'000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u><u>800,000</u></u>	<u><u>793,973</u></u>

The weighted average number of ordinary shares for the year ended 31 March 2019 was derived from 800,000,000 ordinary shares in issue by the Company.

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 diluted loss/earnings per share is equal to the basic loss/earnings per share as there were no dilutive potential ordinary shares in issue during the years ended 31 March 2019 and 2018.

## 8 DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2019 (2018: Nil), nor has any dividend been proposed since the end of the reporting period.

## 9 TRADE AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	971	770
Less: allowance for credit losses	<u>(67)</u>	<u>–</u>
	<u>904</u>	<u>770</u>
Other receivables, deposits and prepayments	8,188	6,698
Less: allowance for credit losses	<u>(107)</u>	<u>–</u>
	<u>8,081</u>	<u>6,698</u>
	<u><b>8,985</b></u>	<u><b>7,468</b></u>

*Notes:*

- (a) The credit period granted to customers is 0-30 days (2018: 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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0-30 days	407	146
31-60 days	–	581
61-90 days	–	5
Over 90 days	<u>564</u>	<u>38</u>
	<u><b>971</b></u>	<u><b>770</b></u>

## 10 TRADE AND OTHER PAYABLES

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables	<b>6,164</b>	6,145
Other payables and accruals	<b>2,990</b>	6,421
	<hr/> <b>9,154</b> <hr/>	<hr/> 12,566 <hr/>

*Notes:*

- (a) Payment terms granted by suppliers and subcontractors are generally 0-30 days (2018: 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:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0-30 days	<b>2,351</b>	5,054
31-60 days	<b>922</b>	115
61-90 days	<b>1,137</b>	385
Over 90 days	<b>1,754</b>	591
	<hr/> <b>6,164</b> <hr/>	<hr/> 6,145 <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 including interior design provided by the Group's in-house design team, providing the Group's customers with creative and innovative designs that synergise with the latest market and design trends. In order to complete the projects, the Group relies on its subcontractors to implement the designs with high quality fittings and furnishings.

The Group's business can be classified into (i) residential interior design and fit-out services; and (ii) commercial interior design and fit-out services. The Group generated revenue of approximately HK\$133.2 million and HK\$121.8 million, of which approximately HK\$112.6 million and HK\$106.7 million representing 84.5% and 87.6% of the Group's total revenue were generated from residential interior design and fit-out services for the years ended 31 March 2019 and 2018, respectively. Approximately HK\$20.6 million and HK\$14.4 million, representing 15.5% and 11.8% of the Group's total revenue were generated from commercial interior design and fit-out services for the years ended 31 March 2019 and 2018, respectively.

For the year ended 31 March 2019, the Group recorded a net loss of approximately HK\$2.9 million as compared to a net profit of approximately HK\$315,000 for the same period in 2018. The Directors are of the view that the net loss was mainly attributable to (i) the increase in advertisement expenses to strengthen the sales and marketing efforts; and (ii) the increase in monthly rental expenses for the new property leased for the Group's new branch in Yuen Long. 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, 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. During the reporting year, the Group's revenue increased by approximately 9.3% to approximately HK\$133.2 million (2018: HK\$121.8 million), primarily attributable to increase in revenue from residential and commercial interior design and fit-out projects.

Revenue by business nature	For the year ended 31 March			
	2019		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Residential interior design and fit-out services	112,567	84.5	106,735	87.6
Commercial interior design and fit-out services	20,610	15.5	14,359	11.8
Others	–	–	746	0.6
Total	<u>133,177</u>	<u>100.0</u>	<u>121,840</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 2019 and 2018:

Components of direct costs	For the year ended 31 March			
	2019		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Materials	17,421	17.4	25,880	28.8
Subcontracting charges	73,249	73.4	54,181	60.3
Staff costs	7,320	7.3	9,385	10.4
Warranty expenses	1,884	1.9	407	0.5
Total	<u>99,874</u>	<u>100.0</u>	<u>89,853</u>	<u>100.0</u>

The Group's direct costs increased by approximately 11.2% from approximately HK\$89.9 million for the year ended 31 March 2018 to HK\$99.9 million for the year ended 31 March 2019. Such increase was in line with the increase in revenue.

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

Gross profit represents revenue less direct costs. The Group's gross profit increased by approximately HK\$1.3 million, or 4.1%, from approximately HK\$32.0 million for the year ended 31 March 2018 to approximately HK\$33.3 million for the year ended 31 March 2019. The Group's gross profit margin was approximately 25.0% for the year ended 31 March 2019, representing a decrease of approximately 1.3 percentage points as compared to approximately 26.3% for the year ended 31 March 2018. The decrease in gross profit margin was mainly due to the rising cost of subcontracting charges.

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

The Group's administrative and other operating expenses for the year ended 31 March 2019 were approximately HK\$36.4 million, representing an increase of approximately 15.6% from approximately HK\$31.5 million for the year ended 31 March 2018, primarily due to the increase in advertising expense and rental expense.

### **Finance costs**

Finance costs of the Group decreased by approximately 25.7% from approximately HK\$105,000 for the year ended 31 March 2018 to approximately HK\$78,000 for the year ended 31 March 2019. The decrease in finance costs was mainly attributable to the decrease in interest on finance leases for the year ended 31 March 2019.

### **Income tax credit/expense**

The Group's income tax credit was approximately HK\$127,000 for the year ended 31 March 2019 compared to income tax expense of approximately HK\$173,000 for the year ended 31 March 2018. The income tax credit was derived from increase in deferred tax assets arising from provision for warranties.

### **Loss/profit attributable to owners of the Company**

Loss attributable to owners of the Company for the year ended 31 March 2019 amounted to approximately HK\$3.0 million, representing a substantial decrease as compared with profit of approximately HK\$149,000 for the year ended 31 March 2018. It was mainly due to the 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 2019**

#### **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, fit-out and refurbishment costs and fit out new offices due to relocation on refurbish office design

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 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 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 employees

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

#### **Upgrade the information systems**

- To pay the final stage payment for software development

The new system needs to pair with the existing system which is experiencing unexpected delays

**Business strategy as stated in the Prospectus****Progress up to 31 March 2019****Development of fleet of vehicles**

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

**USE OF NET PROCEEDS FROM LISTING**

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

The below table sets out the proposed applications of the net proceeds from the Listing Date to 31 March 2019:

	<b>Planned use of proceeds from Listing Date to 31 March 2019 <i>HK\$ million</i></b>	<b>Actual use of proceeds from Listing Date to 31 March 2019 <i>HK\$ million</i></b>
Expansion of market coverage in Hong Kong	9.5	–
Strengthen sales and marketing efforts	3.3	3.3
Recruiting high caliber talent and enhance internal training to support future growth	3.3	3.2
Upgrading information systems	1.6	–
Development of fleet of vehicles	2.1	1.3
General working capital	1.4	1.4
Total	<u>21.2</u>	<u>9.2</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.

As at 31 March 2019, the Group had finance lease liabilities of approximately HK\$1.4 million which was denominated in Hong Kong Dollars (2018: HK\$1.3 million). The Group's finance lease obligations were for the acquisition of motor vehicles to support its operations.

As at 31 March 2019, the Group had approximately HK\$53.1 million in cash and bank balance (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.

## **GEARING RATIO**

As at 31 March 2019, the gearing ratio of the Group was approximately 2.9% (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 31 March 2019, the Group has pledged its motor vehicle with net book value amounted to approximately HK\$1.6 million (2018: HK\$1.4 million), under finance lease agreements.

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

Save as disclosed herein, there was no significant investment held, material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 March 2019. There was no other plan for material investments or capital assets as at 31 March 2019.

## **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 2019 (2018: Nil).

## **COMMITMENTS**

The Group did not have any material capital commitment as at 31 March 2019 (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 31 March 2019, the Group's operating lease commitments were approximately HK\$4.9 million (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.

## **FINAL DIVIDEND**

The Directors do not recommend the payment of final dividend for the year ended 31 March 2019 (2018: Nil).

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2019.

## **INFORMATION ON EMPLOYEES**

As at 31 March 2019, the Group had 51 employees working in Hong Kong (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 year ended 31 March 2019 amounted to approximately HK\$17.5 million (2018: HK\$20.0 million).

## **CORPORATE GOVERNANCE PRACTICES**

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

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

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

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company adopted the required standard of dealings set out in rules 5.48 to 5.67 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 throughout the year.

## **AUDIT COMMITTEE**

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

The 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. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 March 2019.

## **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 2019 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 2019. 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.

The Group's annual results for the year ended 31 March 2019 has been reviewed by the Audit Committee.

## **EVENTS AFTER THE REPORTING PERIOD**

Saved as disclosed in this announcement, there has no other important event affecting the Group since 31 March 2019 and up to date of this announcement.

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

Hong Kong, 24 June 2019

*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 the 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).*