

# **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 2017**

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

**GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

*This announcement will remain on the website of the Stock Exchange at <http://www.hkexnews.hk> on the “Latest Company Announcements” 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).*

## FINAL RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the consolidated results of the Group for the year ended 31 March 2017, together with the comparative figures for the year ended 31 March 2016. 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 2017*

	<i>Note</i>	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
Revenue	3	<b>131,637</b>	118,348
Direct costs	4	<u><b>(94,867)</b></u>	<u>(83,206)</u>
Gross profit		<b>36,770</b>	35,142
Other income and gain	3	<b>5</b>	21
Administrative and other operating expenses	4	<u><b>(31,417)</b></u>	<u>(23,538)</u>
Operating profit		<b>5,358</b>	11,625
Finance costs	5	<u><b>(43)</b></u>	<u>(50)</u>
Profit before income tax		<b>5,315</b>	11,575
Income tax expense	6	<u><b>(2,321)</b></u>	<u>(2,383)</u>
<b>Profit and total comprehensive income for the year</b>		<u><b>2,994</b></u>	<u>9,192</u>
<b>Profit and total comprehensive income for the year attributable to:</b>			
Owners of the Company		<b>2,745</b>	8,987
Non-controlling interests		<u><b>249</b></u>	<u>205</u>
		<u><b>2,994</b></u>	<u>9,192</u>
<b>Basic and diluted earnings per share attributable to owners of the Company</b>	7	<u><b>HK 0.46 cents</b></u>	<u>HK 1.50 cents</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	<i>Note</i>	<b>2017</b> <b>HK\$'000</b>	<b>2016</b> <b>HK\$'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>12,288</b>	1,959
Deferred tax assets		<b>103</b>	143
		<b>12,391</b>	<b>2,102</b>
<b>Current assets</b>			
Gross amounts due from customers for contract work		<b>619</b>	154
Trade and other receivables	9	<b>6,826</b>	1,938
Amount due from a director		<b>5,891</b>	29,810
Cash and bank balances		<b>12,104</b>	2,449
		<b>25,440</b>	<b>34,351</b>
<b>Total assets</b>		<b>37,831</b>	<b>36,453</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	10	<b>6,000</b>	101
Reserves	12	<b>(2,233)</b>	16,921
Equity attributable to:			
Owners of the Company		<b>3,767</b>	17,022
Non-controlling interests		<b>430</b>	181
<b>Total equity</b>		<b>4,197</b>	<b>17,203</b>

	<i>Note</i>	<b>2017</b> <b><i>HK\$'000</i></b>	<b>2016</b> <b><i>HK\$'000</i></b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Gross amounts due to customers for contract work		<b>8,665</b>	9,308
Trade and other payables	<i>11</i>	<b>22,891</b>	7,403
Amount due to a related company		<b>8</b>	4
Provision for warranties		<b>622</b>	716
Finance lease liabilities		<b>323</b>	308
Current income tax liabilities		<b>601</b>	706
		<b>33,110</b>	18,445
<b>Non-current liabilities</b>			
Finance lease liabilities		<b>427</b>	744
Deferred tax liabilities		<b>97</b>	61
		<b>524</b>	805
<b>Total liabilities</b>		<b>33,634</b>	19,250
<b>Total equity and liabilities</b>		<b>37,831</b>	36,453
<b>Net current (liabilities)/assets</b>		<b>(7,670)</b>	15,906
<b>Total assets less current liabilities</b>		<b>4,721</b>	18,008

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 1 GENERAL INFORMATION

Lai Group Holding Company Limited (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 since 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 and the chairman of the Company.

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

Prior to the corporate reorganisation undertaken in preparation for the Listing (the “**Reorganisation**”), the group entities were under the control of Mr. Chan. Through the Reorganisation, the Company became the holding company of the companies now comprising the Group on 24 March 2017. Accordingly, for the purpose of the preparation of the consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the years presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. Chan prior to and after the Reorganisation.

The consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the reporting years presented in accordance with Accounting Guideline 5 “*Merger Accounting for Common Control Combinations*” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years presented, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the years presented, or since their respective dates of incorporation where this is a shorter period. The consolidated statement of financial position as at 31 March 2016 was prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date.

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

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA. In the consolidated financial statements include applicable disclosures required by GEM Listing Rules. The consolidated financial statements have been prepared under the historical cost convention, except as otherwise stated in the accounting policies below.

The preparation of the consolidated financial statements in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies.

As at 31 March 2017, the Group’s current liabilities exceeded its current assets by approximately HK\$7,670,000. The directors have prepared cash flow projections for the twelve months ending 31 March 2018 and are of the opinion that, having taken into consideration of the Group’s history of its ability to obtain external financing from financial institution, its anticipated cash inflows from operations in the coming year, and its expected future working capital requirements, there are sufficient financial resources available to the Group at least in the coming twelve months to meet its liabilities as and when they fall due. On the above basis, the directors believe that the Group will continue as a going concern and consequently have prepared the consolidated financial statements on a going concern basis.

#### 2.1.1 Change in accounting policy and disclosures

##### (a) New and amended standards adopted by the Group

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
HKFRS 14	Regulatory Deferred Accounts

The application of the 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.

## 2.1 Basis of preparation (continued)

### 2.1.1 Change in accounting policy and disclosures (continued)

#### (b) New standards and interpretations not yet adopted

The following new standards, amendments and interpretations to existing standards have been published but not yet effective for the financial year beginning 1 April 2016 and which the Group has not early adopted.

HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>2</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>2</sup>
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers <sup>2</sup>
Amendments to HKAS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
Amendments to HKAS 40	Transfer on Investment Property <sup>2</sup>
Amendments to HKFRSs	Annual Improvement to HKFRSs 2014-2016 <sup>5</sup>
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

#### *HKFRS 9 Financial instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets,

and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company are assessing the impact of HKFRS 9 but anticipate that the application of HKFRS 9 in the future will have no material impact on the Group's consolidated financial statements.

#### *HKFRS 15 Revenue from contracts with customers*

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price



Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. More prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the Group’s consolidated financial statements. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

#### *HKFRS 16 Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

Application of HKFRS 16 will result in the Group’s recognition of right-of-use assets and corresponding liabilities in respect of many of the Group’s lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to the consolidated financial statements.

Total operating lease commitment of the Group as at 31 March 2017 amounted to approximately HK\$2,920,000. The management of the Group do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group’s results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

Except for the above, the directors of the Company do not anticipate that the application of the new and revised HKFRSs listed above will have a material impact on the consolidated financial statements.

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

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

	<b>2017</b>	2016
	<b>HK\$’000</b>	HK\$’000
<b>Revenue</b>		
Residential interior design and fit-out services	<b>114,660</b>	104,644
Commercial interior design and fit-out services	<b>15,609</b>	13,048
Others	<b>1,368</b>	656
	<b>131,637</b>	118,348

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Other income and gain</b>		
Gain on disposal of property, plant and equipment	5	20
Interest income	—	1
	<u>5</u>	<u>21</u>

The chief operating decision-maker has been identified as the Board. The Board regards the Group's business as a single operating segment. The information provided to the chief operating decision-maker is the same as those described in these consolidated financial statements. Also, the Group only engages its business in Hong Kong. Therefore, no segment information is presented.

As no revenue derived from sales to a single customer of the Group has individually accounted for 10% of the Group's total revenue during the year ended 31 March 2017 (2016: Nil), no information about major customers is presented.

#### 4 EXPENSES BY NATURE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Direct costs</b>		
Materials	23,751	23,864
Subcontracting charges	62,560	50,787
Staff costs	8,125	7,608
Warranty expenses	431	947
	<u>94,867</u>	<u>83,206</u>
<b>Administrative and other operating expenses</b>		
Advertising expenses	3,722	4,075
Auditors' remuneration	540	155
Bank charges	1,981	2,045
Building management fee	284	280
Depreciation of owned assets	574	238
Depreciation of assets under finance leases	321	222
Insurance	853	733
Legal and professional fee	1,176	314
Listing expenses	8,350	2,983
Motor vehicles expenses	608	355
Operating lease rental on premises	2,629	2,917
Operating lease rental on office equipment	173	167
Staff costs, including directors' emoluments	8,232	7,254
Transportation expenses	422	431
Travelling	230	194
Other expenses	1,322	1,175
	<u>31,417</u>	<u>23,538</u>

## 5 FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
Interest on bank borrowing and bank overdraft	1	10
Interest on finance leases	42	40
	<u>43</u>	<u>50</u>

## 6 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year.

	2017 HK\$'000	2016 HK\$'000
Current income tax – Hong Kong profits tax	2,241	2,372
Adjustment in respect of prior year	4	–
	<u>2,245</u>	<u>2,372</u>
Total current income tax	76	11
Deferred income tax	<u>2,321</u>	<u>2,383</u>
Income tax expense		

## 7 EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company for the year ended 31 March 2017 was based on (i) the profit attributable to owners of the Company for the year of approximately HK\$2,745,000 (2016: HK\$8,987,000) and (ii) the weighted average number of ordinary shares for the year ended 31 March 2017 is 600,000,000 ordinary shares in issue as if these 600,000,000 ordinary shares were outstanding throughout the year (2016: 600,000,000 ordinary shares).

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

## 8 DIVIDENDS

	2017 HK\$'000	2016 HK\$'000
Interim dividend	<u>16,000</u>	<u>–</u>

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

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2017 (2016: Nil), nor has any dividend been proposed since the end of the reporting period.

## 9 TRADE AND OTHER RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	641	154
Other receivables, deposits and prepayments	<u>6,185</u>	<u>1,784</u>
	<u><b>6,826</b></u>	<u><b>1,938</b></u>

*Notes:*

- (a) The credit period granted to customers is 0-30 days (2016: 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0-30 days	336	120
31-60 days	20	—
61-90 days	9	5
Over 90 days	<u>276</u>	<u>29</u>
	<u><b>641</b></u>	<u><b>154</b></u>

Trade receivables of approximately HK\$336,000 as at 31 March 2017 (2016: HK\$120,000) were not yet past due, and approximately HK\$305,000 as at 31 March 2017 (2016: HK\$34,000) were past due but not impaired. These relate to trade receivables from a number of independent customers of whom there is no recent history of default and no provision has therefore been made.

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

## 10 SHARE CAPITAL

As at 31 March 2016, the share capital represents the aggregate of the paid up share capital of the companies comprising the Group held by the controlling shareholders of the Company prior to the Reorganisation.

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

	<i>Note</i>	Number of ordinary shares	Share Capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each			
<b>Authorised:</b>			
As at 1 April 2015		—	—
Upon incorporation of the Company on 17 February 2016	(a)	38,000,000	380
As at 31 March 2016 and 1 April 2016		38,000,000	380
Increase in number of authorised shares	(b)	962,000,000	9,620
<b>As at 31 March 2017</b>		<b>1,000,000,000</b>	<b>10,000</b>
<b>Issued and fully paid:</b>			
As at 1 April 2015		—	—
Upon incorporation of the Company on 17 February 2016	(a)	1	—
As at 31 March 2016 and 1 April 2016		1	—
Shares issued upon Reorganisation	(c)	599,999,999	6,000
<b>As at 31 March 2017</b>		<b>600,000,000</b>	<b>6,000</b>

- (a) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 17 February 2016 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each and one nil-paid share was issued and allotted to the subscriber which was subsequently transferred to Chun Wah on the same date.
- (b) Pursuant to the resolutions passed by the sole shareholder of the Company on 24 March 2017, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 divided into 1,000,000,000 ordinary shares by the creation of an additional 962,000,000 ordinary shares of HK\$0.01 each, ranking pari passu in all respects with the existing shares.
- (c) Pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of Kingsky Group Limited, a subsidiary of the Company, from Chun Wah on 24 March 2017, the Company credited the one (1) nil-paid ordinary share held by Chun Wah as fully paid and; issued and allotted 599,999,999 ordinary shares in the Company, credited as fully-paid, to Chun Wah.

## 11 TRADE AND OTHER PAYABLES

	2017 HK\$'000	2016 HK\$'000
Trade payables	10,381	3,791
Other payables, deposits received in advance and accruals	12,510	3,612
	<u>22,891</u>	<u>7,403</u>

Notes:

- (a) Payment terms granted by suppliers and subcontractors are generally 0-30 days (2016: 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:

	2017 HK\$'000	2016 HK\$'000
0-30 days	7,658	1,998
31-60 days	804	306
61-90 days	225	793
Over 90 days	1,694	694
	<u>10,381</u>	<u>3,791</u>

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

## 12 RESERVES

### Other reserve

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 Reorganisation.

## 13 SUBSEQUENT EVENT

The shares of the Company have been listed on the GEM of the Stock Exchange on 12 April 2017 upon its listing on the GEM of the Stock Exchange, the Company issued 200,000,000 new ordinary shares at an offer price of HK\$0.26 each and raised gross proceeds of HK\$52,000,000.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

The Group's business can be classified into (i) residential interior design and fit-out services; and (ii) commercial interior design and fit-out services. The Group generated revenue of approximately HK\$131.6 million and HK\$118.3 million, of which approximately HK\$114.7 million and HK\$104.6 million representing 87.2% and 88.4% of the Group's total revenue generated from residential interior design and fit-out services for the years ended 31 March 2017 and 2016, respectively. Approximately HK\$15.6 million and HK\$13.0 million, representing 11.9% and 11.0% of the Group's total revenue were generated from commercial interior design and fit-out services for the years ended 31 March 2017 and 2016, respectively.

For the year ended 31 March 2017, the Group recorded a net profit of approximately HK\$3.0 million as compared to approximately HK\$9.2 million for the same period in 2016. The Directors are of the view that the downturn experienced by the Group during the year ended 31 March 2017 was mainly attributable to the non-recurring listing expenses and the higher employee benefit expenses to retain high caliber of employees in order to support the business growth. In view of the steady revenue growth for the year ended 31 March 2017 as compared to the same period in 2016 and the latest negotiations with existing and potential new customers, the Directors are of the view that there has been no fundamental deterioration in the commercial and operational viability in the Group's business.

### OUTLOOK

The Shares of the Company were listed on the GEM on 12 April 2017 by way of share offer. The Directors believe that the Listing on the GEM could enhance profile and recognition of the Group which will enhance the customers' confidence to the Group. In addition, the net proceeds from the share offer will provide additional resources for to the Group to expand business and improve its capital base.

Looking forward, the Group will continue to devote more resources towards the development of interior design and fit-out services in Hong Kong. The Group will focus on the following business strategies: (i) to strengthen the Group's market position in Hong Kong by improving its coverage; (ii) to promote the Group's brand, to improve brand recognition and to strengthen the Group's marketing efforts; and (iii) to enhance the Group's internal training and to recruit talents to support the Group's future growth. Details of the business strategies have been disclosed in the prospectus of the Company dated 31 March 2017 (the "**Prospectus**").

## FINANCIAL REVIEW

### Revenue

The Group's revenue is primarily generated from provision of interior design and fit-out services in Hong Kong that 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 11.2% to approximately HK\$131.6 million (2016: HK\$118.3 million), primarily attributable to the operating of new Kwun Tong branch.

Revenue by business nature	For the year ended 31 March			
	2017		2016	
	HK\$'000	%	HK\$'000	%
Residential interior design and fit-out services	114,660	87.1	104,644	88.4
Commercial interior design and fit-out services	15,609	11.9	13,048	11.0
Others	1,368	1.0	656	0.6
Total	<u>131,637</u>	<u>100.0</u>	<u>118,348</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 2017 and 2016, both in actual terms and as a percentage of total direct costs:

Components of direct costs	For the year ended 31 March			
	2017		2016	
	HK\$'000	%	HK\$'000	%
Materials	23,751	25.0	23,864	28.7
Subcontracting charges	62,560	65.9	50,787	61.0
Staff costs	8,125	8.6	7,608	9.2
Warranty expenses	431	0.5	947	1.1
Total	<u>94,867</u>	<u>100.0</u>	<u>83,206</u>	<u>100.0</u>

The Group's direct costs increased by approximately 14.1% from approximately HK\$83.2 million for the year ended 31 March 2016 to HK\$94.9 million for the year ended 31 March 2017. Such increase was mainly due to the increase in subcontracting charges.



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

Gross profit represents revenue less direct costs. The Group's gross profit increased by approximately 4.8% from approximately HK\$35.1 million for the year ended 31 March 2016 to approximately HK\$36.8 million for the year ended 31 March 2017. The Group's gross profit margin was approximately 28.0% for the year ended 31 March 2017, representing an decrease of approximately 1.7 percentage points as compared to approximately 29.7% for the year ended 31 March 2016. The decrease in gross profit margin was mainly due to the increase in subcontracting changes.

## **Administrative and other operating expenses**

The Group's administrative and other operating expenses for the year ended 31 March 2017 were approximately HK\$31.4 million, representing an increase of approximately 33.6% from approximately HK\$23.5 million for the year ended 31 March 2016, primarily due to the increase in non-recurring listing expenses and the increase in employee benefit expenses incurred in the year ended 31 March 2017 to support the business growth.

## **Finance costs**

Finance costs of the Group decreased by approximately 14% from approximately HK\$50,000 for the year ended 31 March 2016 to approximately HK\$43,000 for the year ended 31 March 2017. The decrease in finance costs was mainly attributable to the decrease in interests on bank overdrafts for the year ended 31 March 2017.

## **Income tax expenses**

Income tax of the Group for the year ended 31 March 2017 was approximately HK\$2.3 million and remain steady compared to the same financial period in 2016 (2016: HK\$2.4 million).

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

Profit attributable to owners of the Company for the year ended 31 March 2017 amounted to approximately HK\$2.7 million, representing a decrease of approximately 70.0% as compared with profit of approximately HK\$9.0 million for the year ended 31 March 2016. It was mainly due to the the increase in administrative and other operating expenses for reasons mentioned above.

## BUSINESS OBJECTIVES AND STRATEGIES

Our Group will endeavor to achieve the following business objectives:

### Business strategy as stated In the Prospectus

### Implementation plans

Expansion of market coverage in Hong Kong

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

Strengthen sales and marketing efforts

- To engage in an informative advertising campaign by providing design and renovation information as a television programme
- To increase advertising frequency on traditional media such as weekly magazine and billboards
- To increase online advertisement
- To engage a celebrity to market and endorse our services

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

- To hire additional employees and talents
- To organise internal training and seminar

Upgrade our information systems

- To pay deposit for system design

Development of fleet of vehicles

- To purchase a vehicle
- Related fees due to the purchase of the vehicle

## 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 12 April 2017 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 2017:

**Planned use of  
proceeds from  
Listing Date to  
30 September 2017  
HK\$ million**

Expansion of market coverage in Hong Kong	7.7
Strengthen sales and marketing efforts	1.0
Recruiting high caliber talent and enhance internal training to support future growth	0.7
Upgrading information systems	0.2
Development of fleet of vehicles	0.5
General working capital	0.4
	<hr/>
Total	<b>10.5</b>
	<hr/> <hr/>

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 12 April 2017. There has been no change in the capital structure of the Group since the Listing Date and up to date of this announcement. The capital of the Group only comprises of ordinary shares.

## **LIQUIDITY AND FINANCIAL RESOURCES**

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

As at 31 March 2017, the Group had finance lease liabilities of approximately HK\$0.8 million which was denominated in Hong Kong Dollars (2016: HK\$1.1 million). The Group's finance lease obligations was for the acquisition of motor vehicles to support its operations.

As at 31 March 2017, the Group had approximately HK\$12.1 million in cash and bank balance (2016: HK\$2.4 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 2017, the gearing ratio of the Group was approximately 17.9% (2016: 6.1%). The increase in gearing ratio was mainly due to HK\$16.0 million of interim dividend settled during the year. Gearing ratio is calculated as total interest-bearing liabilities divided by total capital. Total interest-bearing liabilities is calculated as total finance lease liabilities and total capital is calculated as total equity as shown in the consolidated statement of financial position.

## **CHARGE ON GROUP ASSETS**

As at 31 March 2017, the Group has pledged its motor vehicle with net book value amounted to approximately HK\$0.9 million (2016: HK\$1.2 million), respectively, under non-cancellable finance lease agreements.

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

Save as disclosed herein, there was no significant investment held, material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 March 2017. There is no other plan for material investments or capital assets as at 31 March 2017.

## **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 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 2017.

## **COMMITMENTS**

The Group did not have any material capital commitment as at 31 March 2017.

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 2017, the Group's operating lease commitments were approximately HK\$2.9 million (2016: HK\$3.9 million).

## **RESULTS AND DIVIDENDS**

Results of the Group for the year ended 31 March 2017 are set out in the consolidated financial statements from page 2 to page 14 of this announcement. The Directors do not recommend the payment of final dividend for the year ended 31 March 2017.

## **CORPORATE GOVERNANCE PRACTICES**

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 and Corporate Governance Report (the "Code") as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the Code since 12 April 2017 (the "Listing Date") up to the date of this announcement.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2017.

## **AUDIT COMMITTEE**

The Audit Committee was established on 24 March 2017. The chairman of the Audit Committee is Mr. Kwan Ngai Kit, our independent non-executive Director, and other members included Ms. Lui Lai Chun and Mr. Wu Loong Cheong Paul, our independent non-executive Directors.

The core duties of the Audit Committee are to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

## **REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 March 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

## **EVENTS AFTER THE REPORTING PERIOD**

### **Listing on the GEM of Stock Exchange**

The Company's shares were listed on the GEM on 12 April 2017 through the share offer 200,000,000 shares at a price of HK\$0.26 per Share.

### **Change of Company Secretary and an Authorised Representative**

Mr. So Wing Fat resigned from his role as the Company Secretary and an authorised representative of the Company with effect from 16 June 2017. Ms. Tam Kwai Heung was appointed as the Company Secretary and an authorised representative of the Company with effect from 16 June 2017.

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

Hong Kong, 26 June 2017

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