LAI GROUP HOLDING COMPANY LIMITED
禮建德集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8455

First Quarterly Report

2019

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*This report, 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 report 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 report misleading.*

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

For the three months ended 30 June 2019

The unaudited condensed consolidated results of the Group for the three months ended 30 June 2019, together with the unaudited comparative figures for the corresponding period in 2018, are as follows:

		Unaudited	
		Three months ended 30 June	
		2019	2018
	Note	**HK$'000**	HK$'000
Revenue	3	**34,097**	34,185
Direct costs		**(27,051)**	(23,485)
Gross profit		**7,046**	10,700
Other income and gain	3	**83**	35
Administrative and other operating expenses		**(9,110)**	(8,535)
Operating (loss)/profit		**(1,981)**	2,200
Finance costs		**(35)**	(15)
(Loss)/profit before income tax		**(2,016)**	2,185
Income tax expense	4	**(31)**	(254)
(Loss)/profit and total comprehensive (expense)/income for the period		**(2,047)**	1,931
(Loss)/profit and total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		**(2,149)**	1,794
Non-controlling interests		**102**	137
		(2,047)	1,931
(Loss)/earnings per share attributable to owners of the Company for the period			
– Basic and diluted (loss)/earnings per share (HK cents)	5	**(0.27)**	0.22

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2019

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000	(Accumulated losses)/ retained earnings HK$'000	Sub-total HK$'000	Attributable to non-controlling interests HK$'000	Total equity HK$'000
Balance as at 31 March 2018 (Audited)	8,000	44,419	(5,899)	3,815	50,335	596	50,931
Effect on initial application of HKFRS 9	–	–	–	(39)	(39)	–	(39)
Balance as at 1 April 2018 (Audited)	8,000	44,419	(5,899)	3,776	50,296	596	50,892
Profit and total comprehensive income for the period	–	–	–	1,794	1,794	137	1,931
Balance at 30 June 2018 (Unaudited)	8,000	44,419	(5,899)	5,570	52,090	733	52,823
Balance as at 1 April 2019 (Audited)	**8,000**	**44,419**	**(5,899)**	**786**	**47,306**	**721**	**48,027**
Loss and total comprehensive (expense)/income for the period	**-**	**-**	**-**	**(2,149)**	**(2,149)**	**102**	**(2,047)**
Balance as at 30 June 2019 (Unaudited)	**8,000**	**44,419**	**(5,899)**	**(1,363)**	**45,157**	**823**	**45,980**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 17 February 2016 as an exempted company with limited liability. The shares of the Company have been listed on GEM of the Stock Exchange on 12 April 2017 (the "**Listing**"). Its parent and ultimate holding company is Chun Wah Limited ("**Chun Wah**"), a company incorporated in the Republic of Seychelles and owned as to 100% by Mr. Chan Lai Sin ("**Mr. Chan**"), the controlling shareholder, an executive Director and the chairman of the Company.

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

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements 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 unaudited condensed consolidated financial statements also include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance (Cap. 622 of the laws of Hong Kong). The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The preparation of unaudited condensed consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) Adoption of amendments to standards

The Group has adopted the following amendments to existing standards which are mandatory for the financial year beginning on or after 1 January 2019:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures
Amendments to HKFRS	Annual Improvements to HKFRS 2015-2017 Cycle

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

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current period. HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees which superseded HKAS 17 "Leases" and the related interpretations.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases 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, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised assets and related finance lease liabilities for finance lease arrangements where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

The Group has adopted the modified retrospective application permitted by HKFRS 16 upon adoption of the new standard. Accordingly, the standard has been applied for the period beginning on 1 April 2019 (i.e. the initial application period). Modified retrospective application requires the recognition of the cumulative impact of adoption of HKFRS 16 on all contracts as at 1 April 2019 in equity.

Modified retrospective application of HKFRS 16 also requires the Group to recognise a lease liability at the date of initial application for leases previously classified as an operating lease under the superseded HKAS 17 measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as lease applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application, i.e. 1 April 2019.

The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics for determination of present value of the remaining lease payments. The right-of-use assets have been recognised, on a lease-by-lease basis, and discounted using the Group's incremental borrowing rate at the date of initial application.

Based on the allowed practical expedients under HKFRS 16, the Group has elected not to apply the requirements of HKFRS 16 in respect of recognition of lease liability and right-of-use assets to leases for which the lease term ends within twelve months of the date of initial application.

The impacts of HKFRS 16 on the unaudited condensed consolidated statement of profit or loss and other comprehensive income of the Group are set out as below.

	Unaudited Three months ended 30 June 2019		
	As per HKAS 17 HK$'000	**As per HKFRS 16** HK$'000	**Impact due to change** HK$'000
Rental and related expenses	(1,115)	(623)	492
Depreciation	(335)	(815)	(480)
Finance costs	(11)	(35)	(24)
Loss for the period	(2,035)	(2,047)	(12)

The Directors of the Company anticipate that the application of other new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group in the future.

(b) The following new standards and revisions to standards have been issued, but are not effective for the financial year beginning on 1 January 2019 and have not been early adopted by the Group:

		Effective for accounting year beginning on or after
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
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	*(Note)*

Note: Effective for business combination and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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 the these new standards, amendments to standards and interpretations.

3. REVENUE, OTHER INCOME AND GAIN

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

	Unaudited Three months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Revenue		
Residential interior design and fit-out services	**32,311**	24,923
Commercial interior design and fit-out services	**1,786**	9,209
Others	**–**	53
	34,097	34,185

	Unaudited Three months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Other income and gain		
Interest income	**28**	35
Others	**55**	–
	83	35

Disaggregation of revenue from contracts with customers

	Unaudited Three months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Timing of revenue recognition		
Over-time	**34,097**	34,185
Types of goods and services		
Interior design and fit-out services	**34,097**	34,185

4. INCOME TAX EXPENSE

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

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 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million 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%.

For the three months ended 30 June 2019 and 2018, the Hong Kong Profits Tax for one of the subsidiaries of the Company is calculated at 8.25% on the first HK$2 million of the assessable profit and at 16.5% on the estimated assessable profit above HK$2 million. The Hong Kong Profits Tax for the remaining subsidiaries are calculated at 16.5% of the estimated assessable profits arising in or derived from Hong Kong.

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

	Unaudited Three months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Current income tax – Hong Kong Profits Tax	**42**	245
Deferred income tax	**(11)**	9
Income tax expense	**31**	254

5. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE PERIOD – BASIC AND DILUTED

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	Unaudited Three months ended 30 June **2019**	 2018
(Loss)/profit for the period attributable to the owners of the Company (HK$'000)	**(2,149)**	1,794
Weighted average number of ordinary shares in issue ('000)	**800,000**	800,000
Basic (loss)/earnings per share (expressed in HK cents per share)	**(0.27)**	0.22

The weighted average number of ordinary shares for the three months ended 30 June 2019 and 2018 were derived from 800,000,000 ordinary shares in issue by the Company.

(b) Diluted

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 period ended 30 June 2019 and 2018.

6. DIVIDENDS

The board of Directors (the "**Board**") does not recommend a payment of any dividend in respect of the three months ended 30 June 2019 (2018: Nil).

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$34.1 million and HK$34.2 million, of which approximately HK$32.3 million and HK$24.9 million, representing approximately 94.7% and 72.8% of the Group's total revenue, were generated from residential interior design and fit-out services for the three months ended 30 June 2019 and 2018, respectively. Approximately HK$1.8 million and HK$9.2 million, representing approximately 5.3% and 26.9% of the Group's total revenue, were generated from commercial interior design and fit-out services for the three months ended 30 June 2019 and 2018, respectively.

For the three months ended 30 June 2019, the Group recorded a net loss of approximately HK$2.0 million as compared to a net profit of approximately HK$1.9 million for the same period in 2018. The Directors are of the view that the Group's net loss was mainly attributable to (i) increase in direct costs mainly due to the rising costs of materials and subcontracting charges; and (ii) the increase in advertisement expenses to strengthen the sales and marketing efforts. In view of the steady revenue generated for the three months ended 30 June 2019 as compared to the same period in 2018 and the latest negotiations with existing and potential new customers, the Directors are of the view that there is no fundamental deterioration in the commercial and operational viability of the Group's business.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

As the Hong Kong home prices continue to rise, residential properties become 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 renovate their existing property to improve their living environment. As such, the Company will continue to build on the marketing and promotional strategy, as outlined in the prospectus of the Company dated 31 March 2017 (the "**Prospectus**"), to increase the awareness of the Group's brand name in the renovation and interior fit-out market. In view of the possible increase in market size, the Group continues to expand its business coverage throughout Hong Kong in order to improve its reach to more potential customers. This involves opening more branches to serve more potential customers in areas previously not covered by the Group.

However, the Company is also aware of the rising cost of operating a business in Hong Kong, which is partly contributed by the rising property prices. Therefore, the Board remains cautious in expanding and will continue to monitor its cost, as well as the current market trend to anticipate any downturn or changes in the current property market trend.

FINANCIAL REVIEW

Revenue

The Group's revenue is primarily generated from provision of interior design and fit-out services in Hong Kong which includes two main categories namely (i) residential interior design and fit-out services; and (ii) commercial interior design and fit-out services. The Group's revenue slightly decreased by approximately 0.3% from approximately HK$34.2 million for the three months ended 30 June 2018 to approximately HK$34.1 million for the three months ended 30 June 2019. Such decrease was mainly due to the decrease in revenue generated from commercial interior design and fit-out services, which partially offset by the increase in revenue generated from residential interior design and fit-out services.

Direct costs

The Group's direct costs consist primarily of (i) materials; (ii) subcontracting charges; (iii) staff costs; and (iv) warranty expenses. The Group's direct costs increased by approximately 15.3% from approximately HK$23.5 million for the three months ended 30 June 2018 to approximately HK$27.1 million for the three months ended 30 June 2019. Such increase was mainly due to the rising costs of materials and subcontracting charges for the same period.

Gross profit and gross profit margin

Gross profit represents revenue less direct costs. The Group's gross profit decreased by approximately HK$3.7 million, or approximately 34.6%, from approximately HK$10.7 million for the three months ended 30 June 2018 to approximately HK$7.0 million for the three months ended 30 June 2019. The decrease in gross profit was mainly due to the decrease in gross profit margin.

The Group's gross profit margin was approximately 20.5% for the three months ended 30 June 2019, representing a decrease of approximately 10.8 percentage points as compared to approximately 31.3% for the three months ended 30 June 2018. The decrease in gross profit margin was mainly due to the increase in direct costs as mentioned above.

Administrative and other operating expenses

The Group's administrative and other operating expenses for the three months ended 30 June 2019 were approximately HK$9.1 million, representing an increase of approximately 7.1% from approximately HK$8.5 million for the three months ended 30 June 2018, primarily due to increase in advertisement expenses to strengthen the sales and marketing efforts for the three months ended 30 June 2019.

Loss/profit attributable to owners of the Company

As a result of the foregoing, the Group's loss attributable to owners of the Company for the three months ended 30 June 2019 amounted to approximately HK$2.1 million, representing a decrease of profit for approximately HK$3.9 million as compared with profit of approximately HK$1.8 million for the three months ended 30 June 2018. It was mainly due to the increase in direct costs and administrative and other operating expenses as mentioned above.

DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 30 June 2019 (2018: Nil).

OTHER INFORMATION

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

As at 30 June 2019, 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 (the "**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 registered 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 *(Note)*	Interest of a controlled corporation	408,370,000	51.05%

Note: Mr. Chan legally and beneficially owns the entire issued share capital of Chun Wah. Therefore, Mr. Chan is deemed, or taken to be, interested in all the shares held by Chun Wah for the purpose of the SFO. Mr. Chan is the sole director of Chun Wah.

Save as disclosed above, as at 30 June 2019, 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 June 2019, 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	Beneficial owner	408,370,000	51.05%
Ms. Wong Ting Nuen *(Note)*	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%

Note: Ms. Wong Ting Nuen ("**Ms. Wong**") is the spouse of Mr. Chan. Ms. Wong is deemed, or taken to be, interested in the same number of shares in which Mr. Chan is interested for the purpose of the SFO.

OTHER INFORMATION

Save as disclosed above, as at 30 June 2019, there was no person or corporation, other than the Directors and chief executives of the Company whose interests are set out in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company" above, had any interest or a short position in the shares or underlying shares of the Company 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% on more of the nominal value of any class of share capital carrying rights to rate in all circumstances at general meetings of the Company or any other member of the Group.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 June 2019.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the controlling shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) engaged in any businesses that competes or may compete with the business of the Group or has any other conflict of interests with the Group for the three months ended 30 June 2019.

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 (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 further undertakes that if any of he/it or his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it shall (and he/it shall procure his/its associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not.

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

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 has 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 Dealings**"). Based on specific enquiry with the Directors, all Directors confirmed that they had fully complied with the Required Standard of Dealings and there was no event of non-compliance during the three months ended 30 June 2019.

SHARE OPTION SCHEME

The share option scheme (the "**Share Option Scheme**") was conditionally adopted 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. This will be in accordance with Chapter 23 of the GEM Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed "Statutory and General Information – Share option scheme" in Appendix V to the Prospectus.

For the three months ended 30 June 2019, 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 three months ended 30 June 2019 and up to the date of this report.

OTHER INFORMATION

AUDIT COMMITTEE

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

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

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Group's unaudited condensed consolidated financial statements for the three months ended 30 June 2019 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2019 comply with applicable accounting standards, the 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, 9 August 2019

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