



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

Third Quarterly Report

2019

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

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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 and nine months ended 31 December 2019

The unaudited condensed consolidated results of the Group for the three months and nine months ended 31 December 2019, together with the unaudited comparative figures for the corresponding periods in 2018, are as follows:

	Note	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue	3	26,804	36,624	94,903	109,038
Direct costs		(19,467)	(27,350)	(71,867)	(79,176)
Gross profit		7,337	9,274	23,036	29,862
Other income and gains	3	188	52	358	112
Administrative and other operating expenses		(7,161)	(9,091)	(24,112)	(27,060)
Operating (loss)/profit		364	235	(718)	2,914
Finance costs		(21)	(16)	(90)	(53)
(Loss)/profit before income tax		343	219	(808)	2,861
Income tax credit/(expense)	4	(16)	(179)	33	(600)
(Loss)/profit and total comprehensive (expense)/income for the period		327	40	(775)	2,261
(Loss)/profit and total comprehensive (expense)/ income for the period attributable to:					
Owners of the Company		211	130	(751)	2,129
Non-controlling interests		116	(90)	(24)	132
		327	40	(775)	2,261
(Loss)/earnings per share attributable to owners of the Company for the period					
– Basic and diluted (loss)/earnings per share	5	HK 0.03 cents	HK 0.02 cents	(HK 0.09 cents)	HK 0.27 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2019

	Attributable to owners of the Company					Attributable to non- controlling interests	Total
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000 <i>(Note i)</i>	Retained earnings HK\$'000	Sub-total HK\$'000		
Balance at 31 March 2018 (Audited)	8,000	44,419	(5,899)	3,815	50,335	596	50,931
Effect on initial application of HKFRS9	—	—	—	(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	—	—	—	2,129	2,129	132	2,261
Balance at 31 December 2018 (Unaudited)	8,000	44,419	(5,899)	5,905	52,425	728	53,153
Balance at 1 April 2019 (Audited)	8,000	44,419	(5,899)	786	47,306	721	48,027
Loss and total comprehensive expense for the period	—	—	—	(751)	(751)	(24)	(775)
Balance at 31 December 2019 (Unaudited)	8,000	44,419	(5,899)	35	46,555	697	47,252

Note:

- i) Other reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the corporate reorganisation.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 17 February 2016 as an exempted company with limited liability. The shares of the Company have been listed on GEM of the Stock Exchange 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.

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

2 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements 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 are 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.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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. The Group's weighted average incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 2.0%.

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 liabilities 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		
	Nine months ended 31 December 2019		
	As per	As per	Impact due
	HKAS 17	HKFRS 16	to change
	HK\$'000	HK\$'000	HK\$'000
Rental expenses	<u>(2,667)</u>	<u>(1,215)</u>	<u>1,452</u>
Depreciation	<u>(935)</u>	<u>(2,370)</u>	<u>(1,435)</u>
Finance costs	<u>(27)</u>	<u>(90)</u>	<u>(63)</u>
Loss for the period	<u>(729)</u>	<u>(775)</u>	<u>(46)</u>

The Directors 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.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

- (b) The following new standards and revisions to standards have been issued, but are not effective for the financial year beginning 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.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 REVENUE, OTHER INCOME AND GAINS

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

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	31 December		31 December	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
Residential interior design and fit-out services	26,456	29,847	91,579	89,480
Commercial interior design and fit-out services	348	6,732	3,324	19,384
Others	–	45	–	174
	<u>26,804</u>	<u>36,624</u>	<u>94,903</u>	<u>109,038</u>

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	31 December		31 December	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other income and gains				
Gain on disposal of property, plant and equipment	95	–	142	–
Interest income	29	33	91	85
Others	64	19	125	27
	<u>188</u>	<u>52</u>	<u>358</u>	<u>112</u>

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Disaggregation of revenue from contracts with customers

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Timing of revenue recognition				
Over-time	<u>26,804</u>	<u>36,624</u>	<u>94,903</u>	<u>109,038</u>
Types of goods and services				
Interior design and fit-out services	<u>26,804</u>	<u>36,624</u>	<u>94,903</u>	<u>109,038</u>

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4 INCOME TAX (CREDIT)/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 introduced 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 periods ended 31 December 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 profits and at 16.5% on the estimated assessable profits 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 expense (credited)/charged to the unaudited condensed consolidated statement of profit or loss and other comprehensive income represents:

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current income tax – Hong Kong				
Profits Tax	23	202	23	632
Deferred income tax	(7)	(23)	(56)	(32)
Income tax (credit)/expense	<u>16</u>	<u>179</u>	<u>(33)</u>	<u>600</u>

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 31 December 2019		Unaudited Nine months ended 31 December 2019	
	2019	2018	2019	2018
(Loss)/profit for the period attributable to the owners of the Company (HK\$'000)	211	130	(751)	2,129
Weighted number of ordinary shares in issue ('000)	800,000	800,000	800,000	800,000
Basic (loss)/earnings per share (expressed in HK cents per share)	<u>0.03</u>	<u>0.02</u>	<u>(0.09)</u>	<u>0.27</u>

The weighted average number of ordinary shares for the periods ended 31 December 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 periods ended 31 December 2019 and 2018.

6 DIVIDENDS

The board of Directors (the “**Board**”) does not recommend a payment of any dividend in respect of the period ended 31 December 2019 (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of interior design and fit-out services in Hong Kong. The Group offers a full suite of services 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\$94.9 million and HK\$109.0 million, of which approximately HK\$91.6 million and HK\$89.5 million, representing approximately 96.5% and 82.1% of the Group's total revenue were generated from residential interior design and fit-out services for the nine months ended 31 December 2019 and 2018, respectively. Approximately HK\$3.3 million and HK\$19.4 million, representing approximately 3.5% and 17.8% of the Group's total revenue were generated from commercial interior design and fit-out services for the nine months ended 31 December 2019 and 2018, respectively.

For the nine months ended 31 December 2019, the Group recorded a net loss of approximately HK\$0.8 million as compared to net profit of approximately HK\$2.3 million for the same period in 2018. The Directors are of the view that the Group's net loss was mainly attributable to the decrease in revenue generated from commercial interior design and fit-out services. In view of the steady revenue generated for the nine months ended 31 December 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.

OUTLOOK

Despite the outbreak of social unrest, as the Hong Kong property prices continued to rise, residential properties are still unaffordable. Property developers continue to build small residential units to compensate for the rise in prices to make smaller homes more affordable.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company is of the view that increasing property prices favors the business of the Group as home owners find it increasingly difficult to afford new homes and have to resort to renovating their existing property to improve their living environment. As such, the Company will continue to build on its marketing and promotional strategy, as outlined in the prospectus 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 of more branches to serve more potential customers in areas previously not covered by the Group.

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

FINANCIAL REVIEW

Revenue

The Group’s revenue is primarily generated from provision of interior design and fit-out services in Hong Kong which includes two main categories namely (i) residential interior design and fit-out services; and (ii) commercial interior design and fit-out services. The Group’s revenue decreased by approximately 12.9% from approximately HK\$109.0 million for the nine months ended 31 December 2018 to approximately HK\$94.9 million for the nine months ended 31 December 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 decreased by approximately 9.2% from approximately HK\$79.2 million for the nine months ended 31 December 2018 to approximately HK\$71.9 million for the nine months ended 31 December 2019. The decrease in direct costs was in line with the decrease in revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

Gross profit represents revenue less direct costs. The Group's gross profit decreased by approximately HK\$6.9 million, or approximately 23.1%, from approximately HK\$29.9 million for the nine months ended 31 December 2018 to approximately HK\$23.0 million for the nine months ended 31 December 2019. The Group's gross profit margin was approximately 24.2% for the nine months ended 31 December 2019, representing a decrease of approximately 3.2 percentage points as compared to approximately 27.4% for the nine months ended 31 December 2018. The decrease in gross profit was mainly due to the decrease in revenue as mentioned above and the decrease in gross profit margin. The decrease in gross profit margin was mainly due to the rising costs of materials.

Administrative and other operating expenses

The Group's administrative and other operating expenses for the nine months 31 December 2019 was approximately HK\$24.1 million, representing a decrease of approximately 11.1% from approximately HK\$27.1 million for the nine months ended 31 December 2018, primarily due to the decrease in administrative staff costs for the nine months ended 31 December 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 nine months ended 31 December 2019 amounted to approximately HK\$0.8 million, representing a decrease of profit for approximately HK\$2.9 million as compared with profit of approximately HK\$2.1 million for the nine months ended 31 December 2018. It was mainly due to the decrease in revenue as mentioned above.

DIVIDEND

The Board does not recommend a payment of any dividend for the nine months ended 31 December 2019 (2018: Nil).

OTHER INFORMATION

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

As at 31 December 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 register referred to therein or which are required to be notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.68 of GEM Listing Rules, are as follows:

Long positions in ordinary shares and underlying shares of the Company

Name	Capacity/Nature of interest	Number of underlying shares	Approximate percentage of shareholding
Mr. Chan (<i>Note</i>)	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 31 December 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 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as known to the Directors or chief executive of the Company, as at 31 December 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

OTHER INFORMATION

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 (<i>Note</i>)	Interest of spouse	408,370,000	51.05%
Ms. Cai Hui Ting	Beneficial owner	84,230,000	10.53%
Mr. Sun Xincai	Beneficial owner	44,000,000	5.50%

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.

Save as disclosed above, as at 31 December 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 “Other information – Directors’ and chief executives’ interests and short positions in shares, underlying shares and debentures” above, had any interest or a short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to rate in all circumstances at general meeting 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 nine months ended 31 December 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 compete or may compete with the business of the Group or has any other conflict of interests with the Group for the nine months ended 31 December 2019.

OTHER INFORMATION

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 5.68 of the GEM Listing Rules as the code of conduct regarding Directors’ securities transactions in securities of the Company (the “**Required Standard of Dealing**”). Based on specific enquiry with the Directors, all Directors confirmed that they had fully complied with the Required Standard of Dealing and there was no event of non-compliance during the nine months ended 31 December 2019.

OTHER INFORMATION

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 – D. Share Option Scheme” in Appendix V to the Prospectus.

For the nine months ended 31 December 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 their respective 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 several 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 nine months ended 31 December 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 published 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 condensed consolidated financial statements for the nine months ended 31 December 2019 are unaudited, but 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 nine months ended 31 December 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, 7 February 2020

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