

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

Lai Group Holding Company Limited

禮建德集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8455)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

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

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

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

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

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

For the three months and six months ended 30 September 2021

The unaudited condensed consolidated results of the Group for the three months and six months ended 30 September 2021, together with the unaudited comparative figures for the corresponding periods in 2020, are as follows:

	Note	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue	5	38,994	34,253	78,925	68,388
Direct costs		(30,850)	(25,932)	(61,539)	(53,681)
Gross profit		8,144	8,321	17,386	14,707
Other income, other gains and losses, net	5	555	353	690	1,255
Administrative and other operating expenses		(8,473)	(8,756)	(17,242)	(16,369)
Operating profit/(loss)		226	(82)	834	(407)
Finance costs	7	(79)	(31)	(153)	(57)
Profit/(loss) before income tax	6	147	(113)	681	(464)
Income tax expense	8	(11)	(42)	(128)	(62)
Profit/(loss) for the period		136	(155)	553	(526)
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		0	–	1	–
Other comprehensive income for the period, net of income tax		0	–	1	–
Total comprehensive income/(expense) for the period		136	(155)	554	(526)

	Unaudited		Unaudited		
	Three months ended		Six months ended		
	30 September		30 September		
	2021	2020	2021	2020	
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Profit/(loss) for the period attributable to:					
Owners of the Company	135	(163)	609	(662)	
Non-controlling interests	1	8	(56)	136	
	<u>136</u>	<u>(155)</u>	<u>553</u>	<u>(526)</u>	
Total comprehensive income/(expense) for the period attributable to:					
Owners of the Company	135	(163)	610	(662)	
Non-controlling interests	1	8	(56)	136	
	<u>136</u>	<u>(155)</u>	<u>554</u>	<u>(526)</u>	
Earnings/(loss) per share attributable to owners of the Company for the period					
– Basic and diluted earnings/(loss) per share	9	HK 0.02 cents	(HK 0.02 cents)	HK 0.08 cents	(HK 0.08 cents)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

		Unaudited 30 September 2021 <i>HK\$'000</i>	Audited 31 March 2021 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	<i>11</i>	9,622	9,925
Right-of-use assets		3,384	1,431
Deferred tax assets		316	259
Total non-current assets		13,322	11,615
Current assets			
Contract assets		3,855	2,428
Trade and other receivables	<i>12</i>	1,718	2,628
Amounts due from related companies	<i>13</i>	25	24
Amount due from a director	<i>14</i>	67	–
Current income tax recoverable		48	48
Cash and bank balances	<i>15</i>	69,492	58,909
Total current assets		75,205	64,037
Total assets		88,527	75,652
EQUITY			
Capital and reserves			
Share capital	<i>16</i>	8,000	8,000
Reserves		34,717	34,107
Equity attributable to:			
Owners of the Company		42,717	42,107
Non-controlling interests		55	761
Total equity		42,772	42,868

		Unaudited	Audited
		30 September	31 March
		2021	2021
	<i>Note</i>	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Bank borrowing	<i>18</i>	1,861	2,856
Lease liabilities		1,349	598
Deferred tax liabilities		76	81
		<hr/>	<hr/>
Total non-current liabilities		3,286	3,535
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Contract liabilities		16,307	12,842
Trade and other payables	<i>17</i>	20,461	13,090
Amount due to a director	<i>14</i>	–	80
Provision for warranties		1,599	1,362
Bank borrowing	<i>18</i>	1,977	1,144
Lease liabilities		1,935	731
Current income tax liabilities		190	–
		<hr/>	<hr/>
Total current liabilities		42,469	29,249
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		45,755	32,784
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total equity and liabilities		88,527	75,652
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Attributable to owners of the Company					Sub-total HK\$'000	Attributable to non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Translation reserves HK\$'000	Other reserves HK\$'000 (Note i)	(Accumulated losses)/ retained earnings HK\$'000			
Balance as at 1 April 2020 (Audited)	8,000	44,419	-	(5,899)	(2,961)	43,559	647	44,206
(Loss)/profit and total comprehensive (expense)/income for the period	-	-	-	-	(662)	(662)	136	(526)
Balance at 30 September 2020 (Unaudited)	<u>8,000</u>	<u>44,419</u>	<u>-</u>	<u>(5,899)</u>	<u>(3,623)</u>	<u>42,897</u>	<u>783</u>	<u>43,680</u>
Balance at 1 April 2021 (Audited)	8,000	44,419	(2)	(5,899)	(4,411)	42,107	761	42,868
Profit/(loss) for the period	-	-	-	-	609	609	(56)	553
Other comprehensive income for the period	-	-	1	-	-	1	-	1
Total comprehensive income/(expense) for the period	-	-	1	-	609	610	(56)	554
Dividends declared to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	(650)	(650)
Balance at 30 September 2021 (Unaudited)	<u>8,000</u>	<u>44,419</u>	<u>(1)</u>	<u>(5,899)</u>	<u>(3,802)</u>	<u>42,717</u>	<u>55</u>	<u>42,772</u>

Note:

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 September 2021*

	Unaudited	
	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from operations	12,549	12,316
Tax refunded	–	1,604
	<hr/>	<hr/>
Net cash generated from operating activities	12,549	13,920
	<hr/>	<hr/>
Cash flows from investing activities		
Interest received	39	48
Purchases of property, plant and equipment	–	(96)
	<hr/>	<hr/>
Net cash generated from/(used in) investing activities	39	(48)
	<hr/>	<hr/>
Cash flows from financing activities		
Interest paid on bank borrowing	(56)	(57)
Proceed from bank borrowings	–	4,000
Repayment of lease liabilities	(1,137)	(899)
Repayment of bank borrowings	(162)	–
Dividends paid to non-controllings shareholders	(650)	–
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(2,005)	3,044
	<hr/>	<hr/>
Net increase in cash and cash equivalents	10,583	16,916
Cash and cash equivalents at the beginning of period	58,909	41,738
	<hr/>	<hr/>
Cash and cash equivalents at the end of period	69,492	58,654
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 17 February 2016 as an exempted company with limited liability. The shares of the Company have been listed on GEM of the Stock Exchange 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 Windward 3, Regatta Office Park, PO Box 1350, 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 Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to existing standards which are mandatory for the financial year beginning on or after 1 January 2021:

Amendment to HKFRS 16	Covid-19 – Related Rent Concessions
Amendment to HKFRS 16	Covid-19 – Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

(b) The following new standards and revisions to standards have been issued, but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group:

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKAS 16	Property, Plant and Equipment- Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

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

3 ESTIMATES

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

In preparing the interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2021.

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks which include interest rate risk, credit risk and liquidity risk. The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements as at 31 March 2021.

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

4.2 Liquidity risk

Compared to year end, there have been no material changes to the policies and practices for the Group's liquidity and funding risks management as described in the consolidated financial statements for the year ended 31 March 2021.

4.3 Fair value estimation

As at 31 March 2021 and 30 September 2021, the Group did not have any financial assets or financial liabilities that are measured at fair value.

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

5 REVENUE, OTHER INCOME AND GAINS

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

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue				
Residential interior design and fit-out services	37,498	33,053	76,355	65,562
Commercial interior design and fit-out services	1,496	1,200	2,570	2,826
	<u>38,994</u>	<u>34,253</u>	<u>78,925</u>	<u>68,388</u>
	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Other income, other gains and losses, net				
Government grants (<i>Note</i>)	–	330	–	1,199
Compensation income	294	–	294	–
Interest income	18	23	39	48
Others	243	–	357	8
	<u>555</u>	<u>353</u>	<u>690</u>	<u>1,255</u>

Note: During the six months ended 30 September 2020, the Group recognised government grants of approximately HK\$1,199,000 in respect of Covid-19 related subsidies related to Employment Support Scheme and one-off subsidy provided by the Hong Kong government.

Disaggregation of revenue from contracts with customers

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Timing of revenue recognition				
Over-time	<u>38,994</u>	<u>34,253</u>	<u>78,925</u>	<u>68,388</u>
Types of goods and services				
Interior design and fit-out services	<u>38,994</u>	<u>34,253</u>	<u>78,925</u>	<u>68,388</u>

6 PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is stated after charging the following items:

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment (Note 11)	147	164	303	369
Depreciation of right-of-use assets	493	238	1,041	696
Legal and professional fee	512	698	1,144	1,264
Materials	5,752	3,342	10,344	7,444
Lease payments relating to short-term leases in respect of premises	89	268	192	536
Lease payments relating to leases of low-value assets, excluding short term leases of low-value assets:				
– office equipment	1	–	3	–
Loss on disposal of property, plant and equipment	–	88	–	123
Subcontracting charges	23,162	20,932	47,395	42,816
Staff costs, including directors' emoluments	<u>4,150</u>	<u>3,509</u>	<u>8,524</u>	<u>7,101</u>

7 FINANCE COSTS

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank borrowing	28	9	56	9
Interest on leases liabilities	51	22	97	48
	<u>79</u>	<u>31</u>	<u>153</u>	<u>57</u>

8 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 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\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, Hong Kong Profits Tax for one of the subsidiaries of the Company is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2,000,000. Hong Kong Profits Tax for the other subsidiaries is calculated at 16.5% of the estimated assessable profits arising in or derived from Hong Kong for the six months ended 30 September 2021 and 2020.

The amount of income tax expense charged/(credited) to the unaudited condensed consolidated statement of profit or loss and other comprehensive income represents:

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current income tax – Hong Kong Profits Tax	78	10	190	61
Adjustment in respect of prior year	–	104	–	104
Total current income tax	78	114	190	165
Deferred income tax	(67)	(72)	(62)	(103)
Income tax expense	<u>11</u>	<u>42</u>	<u>128</u>	<u>62</u>

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

(a) Basic

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

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2021	2020	2021	2020
Profit/(loss) for the period attributable to the owners of the Company (<i>HK\$'000</i>)	135	(163)	609	(662)
Weighted average number of ordinary shares in issue (<i>'000</i>)	800,000	800,000	800,000	800,000
Basic earnings/(loss) per share (<i>expressed in HK cents per share</i>)	<u>0.02</u>	<u>(0.02)</u>	<u>0.08</u>	<u>(0.08)</u>

The weighted average number of ordinary shares for the six months ended 30 September 2021 and 2020 were derived from 800,000,000 ordinary shares in issue by the Company.

(b) Diluted

Diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share as there were no dilutive potential ordinary shares in issue during the six months ended 30 September 2021 and 2020.

10 DIVIDENDS

The board of Directors (the “**Board**”) does not recommend a payment of an interim dividend for the six months ended 30 September 2021 (2020: Nil).

For the six months ended 30 September 2021, a Company’s subsidiary declared interim dividends of HK\$650,000 to its respective non-controlling shareholders.

11 PROPERTY, PLANT AND EQUIPMENT

	Land and Building <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Audited							
Cost							
As at 1 April 2020	10,320	2,629	876	766	638	1,936	17,165
Additions	–	96	–	–	53	–	149
Disposals	–	(65)	(81)	(259)	(34)	–	(439)
As at 31 March 2021	<u>10,320</u>	<u>2,660</u>	<u>795</u>	<u>507</u>	<u>657</u>	<u>1,936</u>	<u>16,875</u>
Accumulated depreciation							
As at 1 April 2020	867	2,423	728	615	588	1,300	6,521
Charge for the year	226	114	96	57	33	223	749
Disposals	–	(61)	(43)	(182)	(34)	–	(320)
As at 31 March 2021	<u>1,093</u>	<u>2,476</u>	<u>781</u>	<u>490</u>	<u>587</u>	<u>1,523</u>	<u>6,950</u>
Net book value							
As at 31 March 2021	<u>9,227</u>	<u>184</u>	<u>14</u>	<u>17</u>	<u>70</u>	<u>413</u>	<u>9,925</u>
Unaudited							
Cost							
As at 1 April 2021 and 30 September 2021	<u>10,320</u>	<u>2,660</u>	<u>795</u>	<u>507</u>	<u>657</u>	<u>1,936</u>	<u>16,875</u>
Accumulated depreciation							
As at 1 April 2021	<u>1,093</u>	<u>2,476</u>	<u>781</u>	<u>490</u>	<u>587</u>	<u>1,523</u>	<u>6,950</u>
Charge for the period (<i>Note 6</i>)	<u>114</u>	<u>28</u>	<u>14</u>	<u>13</u>	<u>8</u>	<u>126</u>	<u>303</u>
As at 30 September 2021	<u>1,207</u>	<u>2,504</u>	<u>795</u>	<u>503</u>	<u>595</u>	<u>1,649</u>	<u>7,253</u>
Net book value							
As at 30 September 2021	<u>9,113</u>	<u>156</u>	<u>–</u>	<u>4</u>	<u>62</u>	<u>287</u>	<u>9,622</u>

12 TRADE AND OTHER RECEIVABLES

	Unaudited 30 September 2021 <i>HK\$'000</i>	Audited 31 March 2021 <i>HK\$'000</i>
Trade receivables	397	219
Less: allowance for credit losses	<u>(80)</u>	<u>(79)</u>
	<u>317</u>	<u>140</u>
Other receivables, deposits and prepayments	1,405	2,488
Less: allowance for credit losses	<u>(4)</u>	<u>-</u>
	<u>1,401</u>	<u>2,488</u>
Total trade and other receivables	<u><u>1,718</u></u>	<u><u>2,628</u></u>

Notes:

- (a) No credit period was granted to customers (31 March 2021: Nil) generally. Trade receivables are denominated in HK\$.
- (b) The ageing analysis of the trade receivables based on invoice date is as follows:

	Unaudited 30 September 2021 <i>HK\$'000</i>	Audited 31 March 2021 <i>HK\$'000</i>
0-30 days	264	112
31-60 days	33	-
61-90 days	-	-
Over 90 days	<u>100</u>	<u>107</u>
	<u><u>397</u></u>	<u><u>219</u></u>

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

13 AMOUNTS DUE FROM RELATED COMPANIES

	Unaudited 30 September 2021 HK\$'000	Audited 31 March 2021 HK\$'000
Amounts due from related companies:		
Happy Field Corporation Limited (“Happy Field”)	5	5
Rising Wing Enterprises Limited (“Rising Wing”)	<u>20</u>	<u>19</u>
	<u>25</u>	<u>24</u>

The balance is denominated in HK\$. The amounts due from related companies are unsecured, interest-free and repayable on demand (Note 19).

14 AMOUNT DUE FROM/(TO) A DIRECTOR

	Unaudited 30 September 2021 HK\$'000	Audited 31 March 2021 HK\$'000
Name of director		
Mr. Chan	<u>67</u>	<u>(80)</u>

The balance is denominated in HK\$. The amounts due from/(to) a director is unsecured, interest-free and repayable on demand (Note 19).

15 CASH AND BANK BALANCES

	Unaudited 30 September 2021 HK\$'000	Audited 31 March 2021 HK\$'000
Cash at banks	69,202	58,482
Cash on hand	<u>290</u>	<u>427</u>
Cash and cash equivalents	<u>69,492</u>	<u>58,909</u>

Notes:

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

16 SHARE CAPITAL

The share capital balance as at 30 September 2021 in the unaudited condensed consolidated statement of financial position represented the issued share capital of the Company. Details of the authorised and issued and fully paid share capital of the Company are summarised as follows:

	Number of shares (in thousand)	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 April 2020, 31 March 2021 and 30 September 2021	<u>1,000,000</u>	<u>10,000</u>
Issued and fully paid:		
As at 1 April 2020, 31 March 2021 and 30 September 2021	<u>800,000</u>	<u>8,000</u>

17 TRADE AND OTHER PAYABLES

	Unaudited 30 September 2021 <i>HK\$'000</i>	Audited 31 March 2021 <i>HK\$'000</i>
Trade payables	18,413	10,254
Other payables and accruals	<u>2,048</u>	<u>2,836</u>
	<u>20,461</u>	<u>13,090</u>

Notes:

- (a) Payment terms granted by suppliers and subcontractors are generally 30 days (31 March 2021: 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:

	Unaudited 30 September 2021 <i>HK\$'000</i>	Audited 31 March 2021 <i>HK\$'000</i>
0-30 days	3,818	2,188
31-60 days	1,188	1,040
61-90 days	1,450	1,739
Over 90 days	<u>11,957</u>	<u>5,287</u>
	<u>18,413</u>	<u>10,254</u>

- (b) Trade and other payables are mainly denominated in HK\$.

18 BANK BORROWING

	Unaudited 30 September 2021 <i>HK\$'000</i>	Audited 31 March 2021 <i>HK\$'000</i>
Secured bank loan	3,838	4,000
	Unaudited 30 September 2021 <i>HK\$'000</i>	Audited 31 March 2021 <i>HK\$'000</i>
The carrying amount of the above bank borrowing is repayable:		
Within one year	1,977	1,144
Within a period of more than one year but not exceeding two years	1,861	2,004
Within a period of more than two years but not exceeding five years	–	852
	3,838	4,000
Less: Amount due within one year shown under current liabilities	(1,977)	(1,144)
Amount shown under non-current liabilities	1,861	2,856

During the six months ended 30 September 2021, the Group was given a banking facility under the SME Financing Guarantee Scheme by a bank for a 36-months instalment loan with principal amount of HK\$4,000,000. The secured bank loan is denominated in HK\$, interest-bearing at Hong Kong Dollars Best Lending Rate quoted by the bank minus 2.25% per annum and the drawdown of the loan was made in August 2020. The bank loan is secured by personal guarantee given by Mr. Chan, being the chairman, an executive Director and substantial shareholder of the Company.

As at 30 September 2021, the Group has no unutilised banking and other facilities.

19 RELATED PARTY TRANSACTIONS

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

Save as disclosed in Notes 13 and 14 to the unaudited condensed consolidated financial statements, the Group entered into the following material transactions with related parties during the period:

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

Name of related parties	Relationship with the Group
Happy Field	A related company owned by Mr. Chan.
Rising Wing	A related company owned by Mr. Chan.
Mr. Chan	An executive Director and the chairman of the Company.
Mr. Kwan Ngai Kit (“Mr. Kwan”)	A former independent non-executive Director, who resigned on 6 August 2021.

- (b) Transactions with related parties

	Note	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2021	2020	2021	2020
		HK\$’000	HK\$’000	HK\$’000	HK\$’000
Revenue from:					
Mr. Kwan	(i) & (ii)	–	–	–	496

Notes:

- (i) The revenue is based on the agreements entered into between the parties involved.
- (ii) These related party transactions will constitute connected transactions or continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.

- (c) Directors’ and chief executive’s emoluments

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

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2021	2020	2021	2020
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Salaries and other benefits	1,358	946	2,669	1,886
Retirement scheme contributions	14	14	27	27
	<u>1,372</u>	<u>960</u>	<u>2,696</u>	<u>1,913</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of interior design and fit-out services in Hong Kong. The Group offers a full suite of services 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\$78.9 million and HK\$68.4 million, of which approximately HK\$76.3 million and HK\$65.6 million representing approximately 96.7% and 95.9% of the Group's total revenue were generated from residential interior design and fit-out services for the six months ended 30 September 2021 and 2020, respectively. Approximately HK\$2.6 million and HK\$2.8 million, representing approximately 3.3% and 4.1% of the Group's total revenue were generated from commercial interior design and fit-out services for the six months ended 30 September 2021 and 2020, respectively.

For the six months ended 30 September 2021, the Group recorded a net profit of approximately HK\$0.6 million as compared to a net loss of approximately HK\$0.5 million for the same period in 2020. The Directors are of the view that the turnover from net loss to net profit was mainly attributable to the increase in revenue generated from residential interior design which was partially offset by the government grants received in relation to the outbreak of novel coronavirus ("COVID-19") pandemic for the six months ended 30 September 2020 which was not recurred in current period.

OUTLOOK

Despite the impact of COVID-19 pandemic, the Company is of the view that the property prices in Hong Kong will continue to rise in the future mainly because of buoyant housing demand, a chronic shortage of land and housing supply, as well as a consistently low interest rate environment nowadays. In the meantime, property developers in Hong Kong continue to build small residential units as they are more affordable to the public.

The Company is of the view that the high 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 upon its marketing and promotional strategy 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 the 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.

Looking forward, it is expected that the current year is a challenging year under the outbreak of COVID-19 as it has already negatively affected and would continue to affect the economy of Hong Kong. Under the outbreak of COVID-19, many fitting-out works were forced to halt. This pandemic made workers at the same site or unit work separately to prevent from getting infected or spreading the virus, which in turn has slowed down the work progress. While the industry was hard hit by the outbreak of COVID-19, competitors have adopted a more competitive project pricing strategy and bear higher operating costs due to the project delays. In view of such poor business environment, the Board will remain cautious in expanding its business and will continue to control its operating costs, as well as monitoring the current market trend to anticipate any downturn or changes in the current property market trend.

FINANCIAL REVIEW

Revenue

The Group's revenue is primarily generated from provision of interior design and fit-out services in Hong Kong which includes two main categories namely (i) residential interior design and fit-out services; and (ii) commercial interior design and fit-out services. The Group's revenue increased by approximately 15.4% from approximately HK\$68.4 million for the six months ended 30 September 2020 to approximately HK\$78.9 million for the six months ended 30 September 2021. Such increase was mainly due to 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 14.5% from approximately HK\$53.7 million for the six months ended 30 September 2020 to approximately HK\$61.5 million for the six months ended 30 September 2021. Such increase was in line with the increase in revenue for the same period.

Gross profit and gross profit margin

Gross profit represents revenue less direct costs. The Group's gross profit increased by approximately HK\$2.7 million, or approximately 18.4%, from approximately HK\$14.7 million for the six months ended 30 September 2020 to approximately HK\$17.4 million for the six months ended 30 September 2021. The increase in gross profit was mainly due to the increase in revenue as mentioned above.

The Group's gross profit margin was approximately 22.1% for the six months ended 30 September 2021, representing an increase of approximately 0.6 percentage points as compared to approximately 21.5% for the six months ended 30 September 2020. The Group's gross profit margin remained stable for both periods.

Administrative and other operating expenses

The Group's administrative and other operating expenses for the six months 30 September 2021 was approximately HK\$17.2 million, representing an increase of approximately 4.9% from approximately HK\$16.4 million for the six months ended 30 September 2020, primarily due to the increase in administrative staff costs.

(Profit)/loss attributable to owners of the Company

As a result of the foregoing, the Group's profit attributable to owners of the Company for the six months ended 30 September 2021 amounted to approximately HK\$0.6 million, representing a decrease of loss of approximately HK\$1.3 million as compared with loss attributable to owners of the Company of approximately HK\$0.7 million for the six months ended 30 September 2020. It was mainly due to the increase in gross profit as mentioned above.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the prospectus of the Company dated 31 March 2017 (the "**Prospectus**") with actual business progress up to 30 September 2021.

Business strategy as stated in the Prospectus

Progress up to 30 September 2021

Expansion of market coverage in Hong Kong

- | | |
|--|--|
| <ul style="list-style-type: none">• To acquire a new office in Tsuen Wan through mortgages, financing and the related fees due to the acquisition of the new office, fit-out and refurbishment costs and fit out new offices due to relocation and refurbish office design | In view of the market uncertainties arised from the outbreak of COVID-19 and the rising property prices, the Board decided to take a cautious approach towards the acquisition of property by trying to locate a property at a reasonable price that is suitable for the operation of the Group's business |
| <ul style="list-style-type: none">• To acquire a new office in Quarry Bay through mortgage financing to serve customers of Hong Kong Eastern area and the related fees due to the acquisition of the new office, and the new office fit-out and refurbishment costs | In view of the market uncertainties arised from the outbreak of COVID-19 and the rising property prices, the Board decided to take a cautious approach towards the acquisition of property by trying to locate a property at a reasonable price that is suitable for the operation of the Group's business |

Business strategy as stated in the Prospectus

Progress up to 30 September 2021

Strengthen sales and marketing efforts

- To increase advertising frequency on traditional media such as weekly magazine and billboards
The Group has found suitable media channels for engaging in an informative advertising campaign
- To increase online advertisement
The Group has increased the frequency of online advertisement during the period
- To engage a celebrity to market and endorse the services of the Company
The Group has engaged a celebrity as the spokesperson of the Group

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

- To hire additional employees and talents
The Group has hired additional project supervisors, draftsman and designer assistants to facilitate the business development
- To organise internal training and seminar
The Group has provided internal training to existing and new hiring staff
- To offer incentive bonus to employees
Portion of proceeds were used for hiring additional employees and talents

Upgrade the information systems

- To pay the final stage payment for software development and upgrade office systems and design softwares
The Group is in the progress of developing online tracking system to monitor the project status

Development of fleet of vehicles

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

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the issue of new shares of the Group at the time of its listing on GEM on 12 April 2017 (the “**Listing Date**”) through the share offer of 200,000,000 shares of HK\$0.01 each in the share capital of the 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 2021:

	Planned use of proceeds from Listing Date to 30 September 2021 HK\$ million	Actual use of proceeds from Listing Date to 30 September 2021 HK\$ million	Unutilised use of proceeds from Listing Date to 30 September 2021 HK\$ million
Expansion of market coverage in Hong Kong	19.8	–	19.8
Strengthen sales and marketing efforts	4.0	4.0	–
Recruiting high caliber talent and enhance internal training to support future growth	4.7	4.7	–
Upgrading information systems	1.9	0.8	1.1
Development of fleet of vehicles	2.6	2.1	0.5
General working capital	1.8	1.8	–
Total	<u>34.8</u>	<u>13.4</u>	<u>21.4</u>

For the expansion of market coverage in Hong Kong, the Company has yet to identify a suitable location that is worth acquiring in light of the continuously high property prices and potential downturn risk. The outbreak of COVID-19 has created even more market uncertainties. In any event, the Company is still on the lookout for suitable locations to purchase over the next 12 months and hopefully could utilised the remaining proceeds of approximately HK\$19.8 million to acquire locations during the financial year ending 31 March 2022.

For upgrading information systems, the Company has identified a suitable information system vendor and is currently in the progress of developing online system for project management. Therefore, the Company expects to utilise this unused portion of the proceeds of approximately HK\$1.1 million during the year ending 31 March 2022 to upgrade information system.

As at 30 September 2021, the unutilised use of proceeds of approximately HK\$21.4 million have been placed as deposits into licensed banks in Hong Kong and are expected to be used according to the intentions previously disclosed in the Prospectus. Such amounts are expected to be fully utilised by 31 March 2022.

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

CAPITAL STRUCTURE

The Company's shares were successfully listed on GEM on the Listing Date. There has been no change in the capital structure of the Group since then. 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 bank loan.

As at 30 September 2021, the Group had total debts, comprising bank borrowing and lease liabilities of approximately HK\$7.1 million which were denominated in Hong Kong dollars (31 March 2021: HK\$5.3 million). The Group's finance lease obligations were for the acquisition of motor vehicles to support its operations.

As at 30 September 2021, the Group had approximately HK\$69.5 million in cash and bank balances (31 March 2021: HK\$58.9 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 30 September 2021, the gearing ratio of the Group was approximately 16.7% (31 March 2021: 12.4%). Gearing ratio is calculated as total interest-bearing liabilities and lease liabilities divided by total capital. Total interest-bearing liabilities is calculated as bank borrowing. Total capital is calculated as total equity as shown in the consolidated statement of financial position.

CHARGE ON GROUP ASSETS

As at 30 September 2021, the Group has pledged its motor vehicle with carrying amount to approximately HK\$0.2 million (31 March 2021: HK\$0.4 million), under finance lease agreement.

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 affiliated companies by the Company during the six months ended 30 September 2021. There are no other plans for material investments or capital assets as at 30 September 2021.

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. Most of the Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollars. As such, the Directors are of the view that the Group did not have significant exposure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

TREASURY POLICY

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2021 (31 March 2021: Nil).

COMMITMENTS

The Group did not have any material capital commitment as at 30 September 2021 (31 March 2021: Nil).

SEGMENT INFORMATION

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

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2021 (2020: Nil).

EVENT AFTER REPORTING PERIOD

Saved as disclosed in this announcement, there is no other important event affecting the Group since 30 September 2021 and up to the date of this announcement.

INFORMATION ON EMPLOYEES

As at 30 September 2021, the Group had 40 employees working in Hong Kong (31 March 2021: 41). Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of trainings were provided to the employees. The total staff cost (including remuneration of Directors and mandatory provident funds contributions) for the six months ended 30 September 2021 amounted to approximately HK\$8.5 million (2020: HK\$7.1 million).

OTHER INFORMATION

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

As at 30 September 2021, 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 30 September 2021, 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 30 September 2021, 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 (<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 30 September 2021, 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 six months ended 30 September 2021.

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 six months ended 30 September 2021.

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/it shall not, and shall procure that his/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.

During the six months ended 30 September 2021, the Company had not received any information in writing from any of the controlling shareholders of the Company in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to be the knowledge of the controlling shareholders of the Company or their associates (other than any member of the Group).

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 six months ended 30 September 2021.

SHARE OPTION SCHEME

The share option scheme of the Company (the "**Share Option Scheme**") was conditionally adopted pursuant to the written resolution of the sole shareholder of the Company passed on 24 March 2017.

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. This will be in accordance with Chapter 23 of the GEM Listing Rules and other relevant rules and regulations.

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.

The maximum number of shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the adoption date (excluding, for this purpose, the shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the shares in issue as at the Listing Date. Therefore, it is expected that the Company may grant options in respect of up to 80,000,000 shares (or such numbers of shares as shall result from a sub-division or a consolidation of such 80,000,000 shares from time to time) to the participants under the Share Option Scheme.

The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the shareholders in general meeting provided that the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the shareholders containing the information as required under the GEM Listing Rules in this regard.

The Company may seek separate approval of the shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to the shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the GEM Listing Rules.

The aggregate number of the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in such 30% limit being exceeded.

The total number of shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option scheme of the Company, in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue. Any further grant of options in excess of such limit must be separately approved by shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, the Company must send a circular to the shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The Share Option Scheme is valid and effective for a period of ten years from 24 March 2017, after which no further options will be granted or offered.

For the six months ended 30 September 2021, 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 the Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging the accountability and transparency so as to sustain the success of the Group and to promote the interests of its shareholders of the Company.

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

The Company has applied the principles and code provisions in the Corporate Governance Code (the “**CG Code**”) set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code during the six months ended 30 September 2021 and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established on 24 March 2017. The chairman of the Audit Committee is Ms. Lui Lai Chun, the independent non-executive Director, and other members include Dr. Chung Siu Kuen and Dr. Chu Kwan Siu Candace, 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 condensed consolidated financial statements for the six months ended 30 September 2021 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 six months ended 30 September 2021 comply with applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement and the interim report are published on the website of the Stock Exchange at (www.hkexnews.hk) and the Company's website at (www.dic.hk). The interim report of the Company for the six months ended 30 September 2021 will be dispatched to the shareholders of the Company. Should the shareholders of the Company have any difficulties in accessing the corporate communications electronically, please request the printed interim report, free of charge, at any time by writing to the Company or the Company's registrar, Tricor Investor Services Limited.

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

Hong Kong, 9 November 2021

As at the date of this announcement, the Board comprises Mr. Chan Lai Sin and Ms. Wan Pui Chi as executive Directors; and Ms. Lui Lai Chun, Dr. Chung Siu Kuen and Dr. Chu Kwan Siu Candace as independent non-executive Directors.

This announcement will remain on the website of the Stock Exchange at www.hkexnews.hk on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and will be published on the Company's website at www.dic.hk.