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Lai Group Holding Company Limited

禮建德集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8455)

CHANGE IN USE OF NET PROCEEDS

Reference is made to (i) the prospectus of Lai Group Holding Company Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) dated 31 March 2017 (the “**Prospectus**”) in relation to the listing of the Company’s shares on GEM of The Stock Exchange of Hong Kong Limited (the “**Listing**”), which sets out the intended use of the net proceeds from the issue of new shares of the Company (the “**Net Proceeds**”) at the time of preparing the Prospectus, and (ii) the interim report of the Company for the six months ended 30 September 2022 dated 7 November 2022 (the “**Interim Report**”), in which the utilisation of the Net Proceeds up to 30 September 2022 was disclosed. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus and the Interim Report.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company hereby announces that it has resolved to change the use of the Net Proceeds.

USE OF NET PROCEEDS

As disclosed in the section headed “Business Objectives and Future Plans” in the Prospectus, the Net Proceeds were intended to be used for the following purposes:

- approximately 56.8% of the Net Proceeds will be used for expansion of market coverage in Hong Kong;
- approximately 11.4% of the Net Proceeds will be used for strengthening sales and marketing efforts;
- approximately 13.6% of the Net Proceeds will be used for recruiting high caliber talent and enhance internal training to support future growth;
- approximately 5.7% of the Net Proceeds will be used for upgrading information systems;
- approximately 7.4% of the Net Proceeds will be used for development of fleet of vehicles; and
- approximately 5.1% of the Net Proceeds will be used as general working capital of the Group.

The Net Proceeds from the Listing of the Company were approximately HK\$34.8 million (after deducting underwriting fees and related listing expenses). As disclosed in the section headed “Use of Net Proceeds from Listing” in the Interim Report, the Company had used approximately HK\$14.5 million of the Net Proceeds up to 30 September 2022 in the manner disclosed in the Interim Report, which also detailed that due to the uncertainties in the properties market following the outbreak of COVID-19 in Hong Kong, the Group’s plan of acquisitions new office and related fitting out and refurbishment had been postponed, with the balance of the unutilised Net Proceeds expected to be utilised and plans to be accomplished by 31 March 2023.

CHANGE IN USE OF NET PROCEEDS

As at the date of this announcement, the unutilised Net Proceeds amounted to approximately HK\$20.3 million. On 7 March 2023, the Board resolved to change the use of the unutilised Net Proceeds. An analysis of the utilisation of the Net Proceeds as at the date of this announcement and the revised change in the use of the unutilised Net Proceeds is set out as below:

Business objective and strategy	Planned use of Net Proceeds as disclosed in the Prospectus <i>HK\$ million</i>	Utilised Net Proceeds as at the date of this announcement <i>HK\$ million</i>	Unutilised Net Proceeds as at the date of this announcement <i>HK\$ million</i>	Revised application of the unutilised Net Proceeds <i>HK\$ million</i>	Expected timeline for utilising the unutilised Net Proceeds
Expansion of market coverage in Hong Kong	19.8	–	19.8	–	N/A
Strengthen sales and marketing efforts	4.0	4.0	–	–	N/A
Recruiting high caliber talent and enhance internal training to support future growth	4.7	4.7	–	–	N/A
Upgrading information systems	1.9	1.4	0.5	0.5	March 2025
Development of fleet of vehicles	2.6	2.6	–	–	N/A
General working capital	1.8	1.8	–	19.8	March 2025
Total	34.8	14.5	20.3	20.3	

The unutilised Net Proceeds is expected to be fully utilised within 2 years from the date of this announcement. Such expected timeline is based on the estimation made by the Group which might be subject to changes in accordance with the change in market conditions from time to time.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF NET PROCEEDS

Although the COVID-19 pandemic is beginning to ease and come under control, the Company is of the view that the property prices in Hong Kong will become uncertain in the future because of the downtrend of financial market, property price and transaction volume, and the economic downturn in Hong Kong. It is expected that the residential and commercial properties market and the renovation and interior fit-out industry will continue to be challenging the near future in the midst of the weak economy of Hong Kong. While the industry was hard hit by the macro market conditions, competitors have adopted a more competitive project pricing strategy.

In view of such poor business environment, the Board will remain cautious in expanding its business and will continue to control its operating costs. The Group expects the plan of acquisitions new office and related fitting out and refurbishment would not be the priority in current stage, but instead, with the unpredictable development of the property market and renovation and interior fit-out industry in Hong Kong, the Board is of the view that the current priority should be focusing on its existing operations by maintaining the its services and considers it is more crucial and necessary to increase its cash allocation for working capital in order to handle operating costs, such as procurement of construction materials, rental expenses, staff costs and other operating expenses. In addition, the Company will continue to build upon its marketing and promotional strategy to increase the Group's brand awareness in the renovation and interior fit-out market to attract more potential customers.

The Board confirms that there are no material changes in the nature of business of the Group. The Board is of the view that the change in use of the unutilised Net Proceeds will enable the Group to effectively meet the financial needs of the Group and enhance the flexibility in financial management of the Company, which is in line with the current business needs of the Group and is therefore in the best interests of the Company and its shareholders.

The Board will continuously assess the plans for the use of unutilised Net Proceeds and may revise or amend such plans where necessary to cope with the changing market conditions in order to strive for a better performance of the Group.

The shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

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

Hong Kong, 7 March 2023

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

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.