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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)

DISCLOSEABLE TRANSACTION IN RESPECT OF THE TENANCY AGREEMENT

THE TENANCY AGREEMENT

The Board would like to announce that on 16 March 2023, Smart Will Engineering Limited, an indirect wholly-owned subsidiary of the Company, as tenant entered into the Tenancy Agreement with the Landlord, an Independent Third Party, in relation to the lease of the Premises.

IMPLICATIONS UNDER THE GEM LISTING RULES

Pursuant to HKFRS 16 “Leases”, the value of the right-of-use assets will be recognised on the Group’s consolidated statement of financial position in connection with the lease of the Premises under the Tenancy Agreement. Accordingly, the lease transaction under the Tenancy Agreement will be regarded as acquisition of assets by the Company for the purpose of the GEM Listing Rules.

As one or more of the applicable percentage ratio under Rule 19.07 of the GEM Listing Rules in respect of aggregate value of the right-of-use assets recognised by the Group pursuant to HKFRS 16 “Lease” is more than 5% but less than 25%, the transaction contemplated under the Tenancy Agreement constitutes discloseable transaction, which is subjected to the reporting and announcement requirements but is exempted from the circular and shareholders’ approval requirements under Chapter 19 of the GEM Listing Rules.

The Board would like to announce that on 16 March 2023, Smart Will Engineering Limited, an indirect wholly-owned subsidiary of the Company, as tenant entered into the Tenancy Agreement with the Landlord, an Independent Third Party, in relation to the lease of the Premises.

Details of the Tenancy Agreement are set out as below:

TENANCY AGREEMENT

Date: 16 March 2023

Landlord: Manpower Corporation Limited (萬權有限公司)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Landlord and its ultimate beneficial owners are Independent Third Parties as at the date of this announcement.

Tenant: Smart Will Engineering Limited, an indirect wholly-owned subsidiary of the Company

Location of the Premises: Office 3, Second Floor, International Enterprise Centre III, No. 18 Tai Chung Road, Tsuen Wan, New Territories, Hong Kong

Lettable area: Approximately 2,000 square feet.

Term: Three (3) years commencing on 27 March 2023 and expiring on 26 March 2026 (both days inclusive).

Monthly rental: Monthly rental shall be approximately HK\$54,810 (inclusive of rates, government rent and management fee, but exclusive of other outgoings, which are payable by the Tenant).

Rent-free period: The sixth, twelfth, twenty-fourth and thirty-sixth months of the Term.

Security deposits: Approximately HK\$328,860, equivalent to the aggregate of six months of monthly rental.

Basis of determining the monthly rental: The rent under the Tenancy Agreement was determined after arm's length negotiations between the parties taking into account the prevailing market rent and lease terms of similar premises in the proximity of the Premises.

The monthly rental is expected to be funded through the internal resources of the Group.

INFORMATION ON THE PARTIES

The Company

The Company is an investment holding company. The principal activities of the Group are the provision of interior design and fit-out services in Hong Kong. Smart Will Engineering Limited is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company. Smart Will Engineering Limited is principally engaged in the provision of interior design and fit-out services in Hong Kong.

The Landlord

Manpower Corporation Limited (萬權有限公司), a company incorporated in Hong Kong with limited liability in 2000. It is principally engaged in investment business. As of the date of the Tenancy Agreement and the date of this announcement, the Landlord is a wholly-owned subsidiary of 1 Plus 10 Investment Company Limited. Mr. Hui Wai Yan, an Independent Third Party, ultimately and beneficially holds 56% shareholding interest in 1 Plus 10 Investment Company Limited. None of the remaining shareholders of 1 Plus 10 Investment Company holds one third or more shareholding interest.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Landlord and its ultimate beneficial owners are Independent Third Parties.

REASONS AND BENEFITS OF THE TRANSACTION

The principal activities of the Group are the provision of interior design and fit-out services in Hong Kong. The Premises is intended for the replacement of the outlet in Yuen Long, which the tenancy agreement expired in April 2023. The Directors believe that the Premises is located at a high pedestrian flow area and could capture business opportunities around the Tsuen Wan areas.

The terms of the Tenancy Agreement are arrived at after arm's length negotiation and the rental was with reference to the prevailing market rental of similar comparable properties in the nearby areas.

The Directors considered that the terms of the Tenancy Agreement are entered into on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

THE RIGHT-OF-USE ASSET

Based on preliminary estimation of the Company, the unaudited value of the right-of-use asset to be recognised by the Group under the Tenancy Agreement shall amount to approximately HK\$1.60 million, which is the present value of the aggregate lease payments payable under the term of the Tenancy Agreement in accordance with HKFRS 16. Discount rate of 6.41% is applied to compute the present value of aggregate lease payments under the Tenancy Agreement.

GEM LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 “Leases”, as a result of entering into the Tenancy Agreement, the Group will recognise the value of the right-of-use asset in its financial statements in relation to the lease of the Premises under the Tenancy Agreement. Accordingly, the Transaction contemplated under the Tenancy Agreement will be regarded as an acquisition of asset by the Group according to the GEM Listing Rules. As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Transaction exceeds 5% but all applicable percentage ratios are less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempted from shareholders’ approval requirement pursuant to Chapter 19 of the GEM Listing Rules.

REMEDIAL ACTIONS

The Company acknowledges this announcement should have been published as soon as practicable after entering into the Tenancy Agreement pursuant to the GEM Listing Rules in relation to the adoption of HKFRS 16. Nevertheless, it was inadvertently omitted at the material time when entering into the Tenancy Agreement and it was only minded shortly before the publication of this announcement. To prevent similar non-compliance in the future, the Company has taken the following measures and actions: (i) the Company’s responsible management, with assistance from external accounting or other professionals and legal advisers of the Company shall continue to oversee and monitor the Company’s on-going compliance with the GEM Listing Rules in relation to the Group’s lease arrangements; (ii) the Company should conduct an internal training session to explain the implications of the GEM Listing Rules in relation to HKFRS 16 and the reporting procedures for notifiable transaction under the GEM Listing Rules in respect of lease arrangements prior to execution; and (iii) the Company should, as and when appropriate and necessary, seek advice from its external legal, accounting or other professional as to any action required to be taken in relation to any proposed lease transactions or events in the future. Going forward, the Company will use its best endeavours to make disclosure in a timely manner to ensure compliance with the GEM Listing Rules in this regard.

DEFINITION

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors
“Company”	Lai Group Holding Company Limited (禮建德集團控股有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the GEM of the Stock Exchange since 12 April 2017
“Director(s)”	the director(s) of the Company

“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Group”	collectively, the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are not connected persons of the Company and is/are third party independent of the Company and its connected persons in accordance with the GEM Listing Rules
“Landlord”	Manpower Corporation Limited (萬權有限公司), a company incorporated in Hong Kong with limited liability, an Independent Third Party
“PRC”	The People’s Republic of China
“Premises”	Office 3, Second Floor, International Enterprise Centre III, No. 18 Tai Chung Road, Tsuen Wan, New Territories, Hong Kong
“Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Smart Will Engineering Limited” or “Tenant”	Smart Will Engineering Limited (駿志工程有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	The Tenancy Agreement entered into between Smart Will Engineering Limited as tenant and the Landlord on 16 March 2023 in the relation to the lease of the Premises

“Transaction” the leasing of the Premises by the Tenant under the terms set out in the Tenancy Agreement

“%” per cent

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

Hong Kong, 4 May 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.