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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2023

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.*

FINAL RESULTS

The board of Directors (the “**Board**”) of the Company announces the consolidated results of the Group for the year ended 31 March 2023, together with the comparative figures for the year ended 31 March 2022. The financial information has been approved by the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	3	111,256	138,327
Direct costs		<u>(92,107)</u>	<u>(108,122)</u>
Gross profit		19,149	30,205
Other income, other gains and losses, net	4	3,231	1,304
(Impairment loss) reversal of impairment loss, net	5	(4,176)	15
Administrative and other operating expenses		(34,545)	(34,870)
Loss on investment in a life insurance contract		<u>(1,311)</u>	<u>–</u>
Operating loss	5	(17,652)	(3,346)
Finance costs	6	<u>(252)</u>	<u>(204)</u>
Loss before income tax		(17,904)	(3,550)
Income tax expense	7	<u>(4)</u>	<u>(63)</u>
Loss for the year		<u>(17,908)</u>	<u>(3,613)</u>
Other comprehensive income (expense)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>3</u>	<u>(3)</u>
Other comprehensive income (expense) for the year, net of income tax		<u>3</u>	<u>(3)</u>
Total comprehensive expense for the year		<u><u>(17,905)</u></u>	<u><u>(3,616)</u></u>
Loss for the year attributable to:			
Owners of the Company		(17,908)	(3,572)
Non-controlling interests		<u>–</u>	<u>(41)</u>
		<u><u>(17,908)</u></u>	<u><u>(3,613)</u></u>

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Total comprehensive expense for the year attributable to:			
Owners of the Company		(17,905)	(3,575)
Non-controlling interests		—	(41)
		<u>(17,905)</u>	<u>(3,616)</u>
Loss per share			
	8		
– Basic (HK cents)		(2.24)	(0.45)
– Diluted		N/A	N/A
		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		8,775	9,807
Right-of-use assets		–	2,248
Investment in a life insurance contract		6,540	–
Deferred tax assets		155	155
		<hr/> 15,470	<hr/> 12,210
CURRENT ASSETS			
Contract assets		593	3,277
Trade and other receivables	<i>10</i>	1,985	1,557
Amounts due from related companies		–	25
Tax recoverable		69	56
Time deposits		10,203	–
Cash and cash equivalent		24,312	57,735
		<hr/> 37,162	<hr/> 62,650
CURRENT LIABILITIES			
Contract liabilities		10,777	12,251
Trade and other payables	<i>11</i>	10,613	17,898
Amount due to a director		21	58
Provision for warranties		878	881
Bank borrowings		6,409	2,856
Lease liabilities		1,282	1,850
		<hr/> 29,980	<hr/> 35,794
NET CURRENT ASSETS		<hr/> 7,182	<hr/> 26,856
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 22,652	<hr/> 39,066
NON-CURRENT LIABILITIES			
Lease liabilities		1,921	434
Deferred tax liabilities		34	30
		<hr/> 1,955	<hr/> 464

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
NET ASSETS	<u>20,697</u>	<u>38,602</u>
CAPITAL AND RESERVES		
Share capital	8,000	8,000
Reserves	<u>12,697</u>	<u>30,602</u>
TOTAL EQUITY	<u>20,697</u>	<u>38,602</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a public exempted company with limited liability incorporated in Cayman Islands and its shares are listed on the GEM of The Stock Exchange. Its parent and ultimate holding company is Chun Wah Limited, a company incorporated in the Republic of Seychelles. Its ultimate controlling party is Dr. Chan Lai Sin (“**Dr. Chan**”), who is also the chairman and executive Director. The address of the registered office 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.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the Group’s annual periods beginning on or after 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to Hong Kong Accounting Standards (“ HKAS ”) 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

2.1 Impacts on application of Amendments to HKFRS 3 *Reference to the Conceptual Framework*

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 April 2022. The amendments update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the “**Conceptual Framework**”) instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010), add a requirement that, for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levis*, an acquirer applies HKAS 37 or HK(IFRIC) – Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments in the current year has had no impact on the Group’s consolidated financial statements.

2.2 Impacts on application of Amendments to HKFRSs *Annual Improvements to HKFRSs 2018 – 2020*

The Group has applied the amendments for the first time in the current year. The annual improvements make amendments to the following standards:

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the “10 per cent” test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged as at the date of initial application, 1 April 2022.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

The application of the amendments in the current year has had no impact on the Group’s consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants (2022) ³
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

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

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

Except for the new and amendments to HKFRSs mentioned in the consolidated financial statements, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Types of goods and services		
Interior design and fit-out services		
Residential interior design and fit-out services	101,868	135,298
Commercial interior design and fit-out services	9,388	3,029
	<u>111,256</u>	<u>138,327</u>
Total	<u>111,256</u>	<u>138,327</u>
Timing of revenue recognition		
Over-time	<u>111,256</u>	<u>138,327</u>

(ii) Performance obligations for contracts with customers

The Group provides interior design and fit-out services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue for these works is recognised based on the stage of completion of the contract using input method.

The Group's services contracts include payment schedules which require stage payments over the services period once certain specified milestones are reached. The Group typically requires customers to provide non-refundable upfront deposits range from 60% to 70% of total contract sum, when the Group receives a deposit before service commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The Group typically bills the customers when the specified milestones are reached (i.e. when the rights become unconditional) and the contract assets will be transferred to trade receivables.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Information reported to the Board, being the chief operating decision maker ("CODM"), for the purpose of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segment under HKFRS 8 *Operating Segments* is provision of interior design and fit-out services in Hong Kong.

Since this is the only reportable and operating segment of the Group, no further analysis thereof is presented. All the revenue of the Group are generated from provision of interior design and fit-out services for the years ended 31 March 2023 and 2022.

Geographical information

The Group's operation is located in Hong Kong. All the non-current assets of the Group are located in Hong Kong.

Information about major customers

For the years ended 31 March 2023 and 2022, as no revenue derived from an individual customer of the Group has accounted for over 10% of the Group's total revenues, no information about major customers is presented.

4. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other income		
Interest income	710	66
Government grants (<i>Note</i>)	768	–
Management fee income	1,372	897
Referral income	–	95
Others	–	6
	<u>2,850</u>	<u>1,064</u>
Other gains and losses, net		
Exchange difference in respect of investment in a life insurance contract	381	–
Insurance claims	–	230
Others	–	10
	<u>381</u>	<u>240</u>
	<u><u>3,231</u></u>	<u><u>1,304</u></u>

Note: During the year ended 31 March 2023, the Group recognised government grants related to Employment Support Scheme provided by the Hong Kong government.

5. OPERATING LOSS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Operating loss has been arrived at after charging (crediting):		
Staff costs (including Directors' emoluments)		
Salaries and other benefits in kind	17,485	16,745
Contributions to retirement benefit scheme	485	482
	<u>17,970</u>	<u>17,227</u>
Total staff costs (<i>Note</i>)		
Impairment loss recognised on:		
– property, plant and equipment	1,043	–
– right-of-use assets	3,173	–
	<u>4,216</u>	<u>–</u>
Impairment loss (reversed) recognised under expected credit loss model on:		
– trade receivables	(37)	–
– other receivables	16	3
– contract assets	(19)	(18)
	<u>(40)</u>	<u>(15)</u>
Total impairment loss recognised (reversed), net	<u>4,176</u>	<u>(15)</u>
Auditors' remuneration	550	550
Cost of inventories recognised as an expense	17,532	19,694
Depreciation of property, plant and equipment	689	645
Depreciation of right-of-use assets	1,881	2,144
	<u>1,881</u>	<u>2,144</u>

Note: Staff costs amounted to approximately HK\$7,893,000 (2022: approximately HK\$7,012,000) was included in direct costs and approximately HK\$10,077,000 (2022: approximately HK\$10,215,000) was included in administrative and other operating expenses.

6. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on bank borrowings	197	102
Interest on lease liabilities	55	102
	<u>252</u>	<u>204</u>

7. INCOME TAX EXPENSE

	2023 HK\$'000	2022 <i>HK\$'000</i>
Hong Kong Profits tax:		
Current tax	–	–
Under-provision in prior years	–	10
	<u>–</u>	<u>10</u>
Deferred income tax	4	53
	<u>4</u>	<u>53</u>
Income tax expense	<u>4</u>	<u>63</u>

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

Loss

	2023 HK\$'000	2022 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	<u>(17,908)</u>	<u>(3,572)</u>

Number of shares

	2023 '000	2022 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>800,000</u>	<u>800,000</u>

No diluted loss per share for the years ended 31 March 2023 and 2022 were presented as there were no potential ordinary shares in issue for the years ended 31 March 2023 and 2022.

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

10. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	158	256
Less: Allowance for credit losses	<u>(42)</u>	<u>(79)</u>
	<u>116</u>	<u>177</u>
Other receivables, deposits and prepayments	1,888	1,383
Less: Allowance for credit losses	<u>(19)</u>	<u>(3)</u>
	<u>1,869</u>	<u>1,380</u>
Total trade and other receivables	<u>1,985</u>	<u>1,557</u>

Note:

The following is an aged analysis of trade receivables, net of allowance of credit losses presented based on the invoice dates:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0-30 days	6	42
31-60 days	-	-
61-90 days	110	-
Over 90 days	<u>-</u>	<u>135</u>
	<u>116</u>	<u>177</u>

11. TRADE AND OTHER PAYABLES

	2023 HK\$'000	2022 <i>HK\$'000</i>
Trade payables	8,293	15,313
Other payables and accruals	2,320	2,585
	10,613	17,898

Notes:

(a) The following is an aged analysis of trade payables presented based on the invoice date:

	2023 HK\$'000	2022 <i>HK\$'000</i>
0-30 days	738	5,805
31-60 days	957	41
61-90 days	389	322
Over 90 days	6,209	9,145
	8,293	15,313

(b) Payment terms granted by suppliers and subcontractors are generally 30 days (2022: 30 days) from the invoice date of the relevant purchases and services provided.

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\$111.3 million and approximately HK\$138.3 million, of which approximately HK\$101.9 million and approximately HK\$135.3 million, representing 91.6% and 97.8% of the Group's total revenue, were generated from residential interior design and fit-out services for the years ended 31 March 2023 and 2022, respectively. Approximately HK\$9.4 million and approximately HK\$3.0 million, representing approximately 8.4% and approximately 2.2% of the Group's total revenue, were generated from commercial interior design and fit-out services for the years ended 31 March 2023 and 2022, respectively.

For the year ended 31 March 2023, the Group recorded a net loss of approximately HK\$17.9 million as compared with approximately HK\$3.6 million for the same period in 2022. The Directors are of the view that the increase in net loss was primarily attributable to i) the decrease in revenue and gross profit margin of projects undertaken by the Group as a result of the continuing adverse and competitive market conditions for the period; and ii) the presence of impairment loss on property, plant and equipment and right-of-use assets of approximately HK\$4.2 million during the current year.

OUTLOOK

Although global economic activities have been gradually recovering in 2023, the Company is of the view that the property market in Hong Kong will remain uncertain in the near future because of the tightening of monetary policies adopted by major central banks. In the meantime, property developers in Hong Kong continue to build small residential units as they are more affordable to the public.

It is expected that the current year is a challenging year in the midst of the uncertain property market of Hong Kong as it has already negatively affected and is expected to continue to affect the economy of Hong Kong. Under such uncertain conditions of the industry, the Group expects the competitors will continue to adopt a more competitive project pricing strategy and bear higher operating costs in the near future. In view of such competitive market condition, 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.

Looking forward, the Company is of the view that as the housing become more affordable to the public, the Board expects the general demand for the Group's services will increase in long run. As such, 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. In view of the potential expansion of the Group's market size in Hong Kong, the Group will continue to expand its business coverage throughout Hong Kong to extend its reach to more potential customers.

FINANCIAL REVIEW

Revenue

The Group's revenue is primarily generated from the 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. For the year ended 31 March 2023, the Group's revenue decreased by approximately 19.5% to approximately HK\$111.3 million (2022: approximately HK\$138.3 million). Such decrease was mainly due to the decrease in revenue generated from residential interior design and fit-out services as a result of the continuing adverse and competitive market conditions for the period in Hong Kong.

Revenue by business nature	For the year ended 31 March			
	2023		2022	
	HK\$'000	%	HK\$'000	%
Residential interior design and fit-out services	101,868	91.6	135,298	97.8
Commercial interior design and fit-out services	9,388	8.4	3,029	2.2
Total	<u>111,256</u>	<u>100.0</u>	<u>138,327</u>	<u>100.0</u>

Direct costs

The Group's direct costs consist primarily of (i) materials; (ii) subcontracting charges; (iii) staff costs; and (iv) warranty expenses. The table below sets forth a breakdown of components of direct costs for the years ended 31 March 2023 and 2022:

Components of direct costs	For the year ended 31 March			
	2023		2022	
	HK\$'000	%	HK\$'000	%
Materials	17,532	19.0	19,694	18.2
Subcontracting charges	66,686	72.4	81,429	75.3
Staff costs	7,893	8.6	7,012	6.5
Reversal of provision for warranties	(4)	0.0	(13)	0.0
Total	<u>92,107</u>	<u>100.0</u>	<u>108,122</u>	<u>100.0</u>

The Group's direct costs decreased by approximately 14.8% from approximately HK\$108.1 million for the year ended 31 March 2022 to approximately HK\$92.1 million for the year ended 31 March 2023. Such decrease was mainly driven by the corresponding decrease in revenue.

Gross profit and gross profit margin

Gross profit represents revenue less direct costs. The Group's gross profit decreased by approximately HK\$11.1 million, or approximately 36.6%, from approximately HK\$30.2 million for the year ended 31 March 2022 to approximately HK\$19.1 million for the year ended 31 March 2023. The Group's gross profit margin was approximately 17.2% for the year ended 31 March 2023, representing a decrease of approximately 4.6 percentage points as compared to approximately 21.8% for the year ended 31 March 2022. The decrease in gross profit and gross profit margin were primarily attributable to the decrease in revenue and gross profit margin of projects undertaken by the Group, as a result of the continuing adverse and competitive market conditions for the period.

Other income, other gains and losses, net

Other income, other gains and losses, net increased from approximately HK\$1.3 million for the year ended 31 March 2022 to approximately HK\$3.2 million for the year ended 31 March 2023. Such increase was primarily resulted from the non-recurring government grants received by the Group related to Employment Support Scheme provided by the Hong Kong government of approximately HK\$0.8 million for the year ended 31 March 2023.

Administrative and other operating expenses

The Group's administrative and other operating expenses remained similar of approximately HK\$34.5 million and approximately HK\$34.9 million for the year ended 31 March 2023 and 2022 respectively.

Impairment loss (reversal of impairment loss), net

In view of the deteriorating performance of the Group resulted from the challenging business environment in Hong Kong the Group was facing throughout the year ended 31 March 2023, the Group assessed if any impairment loss should be recognised for the non-current assets of the Group including property, plant and equipment and right-to-use assets.

Impairment loss of approximately HK\$1.0 million (2022: Nil) and HK\$3.2 million (2022: Nil) were recognised for property, plant and equipment and right-of-use assets, respectively, for the year ended 31 March 2023.

Loss on investment in a life insurance contract

For the year ended 31 March 2023, the Group recorded a loss on investment in a life insurance contract of approximately HK\$1.3 million (2022: Nil).

Finance costs

Finance costs of the Group increased by approximately 23.5% from approximately HK\$204,000 for the year ended 31 March 2022 to approximately HK\$252,000 for the year ended 31 March 2023. The increase in finance costs was mainly attributable to the increase in interest on bank borrowing for the year ended 31 March 2023.

Income tax expense

The Group's income tax expense for the year ended 31 March 2023 was approximately HK\$4,000, representing a significant decrease from approximately HK\$63,000 for the year ended 31 March 2022. The decrease in income tax expense was mainly due to the decrease in taxable profit for the year ended 31 March 2023.

Loss attributable to owners of the Company

As a result of the foregoing, the Group recorded a loss attributable to owners of the Company of approximately HK\$17.9 million and approximately HK\$3.6 million for the years ended 31 March 2023 and 2022, respectively.

BUSINESS OBJECTIVES AND STRATEGIES

The Group will endeavor to achieve the following business objectives:

Business strategy

Progress up to 31 March 2023

Strengthen sales and marketing efforts

- To increase advertising frequency on traditional media such as weekly magazine and billboards
- To increase online advertisement
- To engage a celebrity to market and endorse the services of the Company

The Group has found suitable media channels for engaging in an informative advertising campaign

The Group has increased the frequency of online advertisement during the period

The Group has engaged a celebrity as the spokesperson of the Company

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

- To hire additional employees and talents
- To organise internal training and seminar
- To offer incentive bonus to employees

The Group has hired additional project supervisors, draftsman and designer assistants to facilitate the business development

The Group has provided internal training to existing and new hiring staff

Portion of proceeds were used for hiring additional employees and talents

Business strategy

Progress up to 31 March 2023

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 system for project management

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 four vehicles and paid the relevant fees

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the issue of new shares of the Company at the time of its listing 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 Company 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. These proceeds were applied in the manner as described in the prospectus of the Company dated 31 March 2017 (the “**Prospectus**”) and the announcement of the Company dated 7 March 2023 in relation to the change in use of proceeds (the “**Announcement**”).

The below table sets out the proposed applications of the net proceeds from the Listing Date to 31 March 2023:

	Planned use of net proceeds as disclosed in the Prospectus	Unutilised net proceeds as at 31 March 2022	Revised allocation of unutilised net proceeds as at 7 March 2023	Utilised net proceeds during the reporting period	Utilised net proceeds up to 31 March 2023	Unutilised net proceeds up to 31 March 2023	Expected timeline of full utilisation of unutilised net proceeds
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
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	1.2	0.5	0.2	1.4	0.5	by March 2025
Development of fleet of vehicles	2.6	-	-	-	2.6	-	N/A
General working capital	1.8	-	19.8	-	1.8	19.8	by March 2025
	<u>34.8</u>	<u>21.0</u>	<u>20.3</u>	<u>0.2</u>	<u>14.5</u>	<u>20.3</u>	

Note:

On 7 March 2023, the Board resolved to change the outstanding net proceeds from the issue of new shares of the Company at the time of its listing on 12 April 2017, being approximately HK\$20,300,000 as at 7 March 2023 as follows: (i) as to approximately HK\$500,000, to upgrade information systems of the Company; and (ii) as to the remaining balance of approximately HK\$19,800,000, for general working capital.

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\$0.5 million during the year ending 31 March 2025 to upgrade the information system.

As at 31 March 2023, the unutilised proceeds of approximately HK\$20.3 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 and the Announcement. Such amounts are expected to be fully utilised by 31 March 2025.

The business objectives, future plans and planned use of proceeds as stated in the Prospectus and the Announcement were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus and the Announcement 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 31 March 2023, the Group had total debts, comprising bank borrowing and lease liabilities, of approximately HK\$9.6 million which was denominated in Hong Kong Dollars (2022: approximately HK\$5.1 million). Such increase was mainly attributable to the acquisition of the investment in life insurance contract for the year ended 31 March 2023.

As at 31 March 2023, the Group had approximately HK\$34.5 million in cash and bank balance and time deposits (2022: approximately HK\$57.7 million). The Directors believe that the Group is in a healthy financial position to achieve its business objectives.

GEARING RATIO

As at 31 March 2023, the gearing ratio of the Group was approximately 46.4% (2022: approximately 13.3%). Gearing ratio is calculated as total interest-bearing liabilities and lease liabilities divided by total equity.

CHARGE ON GROUP ASSETS

On 18 August 2022, Faith Flying Limited (“**Faith Flying**”), an indirect wholly-owned subsidiary of the Company, took out a life insurance policy (the “**Policy**”) with the Hang Seng Insurance Company Limited (“**Hang Seng Insurance**”) and placed an initial single premium of US\$950,000 (equivalent to approximately HK\$7,470,000) thereunder with Hang Seng Insurance, which became effective on 28 September 2022. Dr. Chan is the insured person and Faith Flying is both the policy holder and the beneficiary of the Policy. As at 31 March 2023, the Policy was pledge as collateral for the Group’s banking facilities.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, there was no significant investments held, material acquisitions and disposals of subsidiaries and affiliated companies by the Company during the year ended 31 March 2023. There was no other plan for material investments or capital assets as at 31 March 2023.

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 POLICIES

The Directors will continue to follow a prudent policy in managing the Group’s bank 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 31 March 2023 (2022: Nil).

CAPITAL COMMITMENTS

As at 31 March 2023, the Group had approximately HK\$5.0 million of capital commitment in relation to the unpaid registered capital of a subsidiary (2022: approximately HK\$5.0 million).

SEGMENT INFORMATION

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

FINAL DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 March 2023 (2022: Nil).

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 year ended 31 March 2023.

INFORMATION ON EMPLOYEES

As at 31 March 2023, the Group had 38 employees working in Hong Kong (2022: 38). 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 year ended 31 March 2023 amounted to approximately HK\$18.0 million (2022: approximately HK\$17.2 million).

CORPORATE GOVERNANCE PRACTICES

The Group is 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 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 and Corporate Governance Report (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code since Listing Date and up to the date of this announcement.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company (the "**Code of Conduct**"). Based on specific enquiry with the Directors, all Directors confirmed that they had fully complied with the required standard of dealings and there was no event of non-compliance throughout the year.

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 included 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 website of the Stock Exchange and on the Company's website.

The primary duties of the Audit Committee are to review the financial information and oversee the financial reporting system, internal control systems and risk management system and relationship with external auditors and review arrangements employees of the Company can use, in confidence to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 March 2023.

REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in the preliminary announcement have been agreed by the Group's auditors, Asian Alliance (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Asian Alliance (HK) CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Asian Alliance (HK) CPA Limited on the preliminary announcement.

The Group's annual results for the year ended 31 March 2023 has been reviewed by the Audit Committee.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there is no other important event affecting the Group since 31 March 2023 and up to the date of this announcement.

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

Hong Kong, 21 June 2023

As at the date of this announcement, the Board comprises Dr. 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.