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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Lai Group Holding Company Limited (the “**Company**”) hereby announce the unaudited consolidated results of the Company and its subsidiaries for the six months ended 30 September 2023 (the “**Interim Results**”). This announcement, containing the full text of the interim report 2023 of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcements of Interim Results.

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

Hong Kong, 7 November 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.

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.

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Chan Lai Sin (*Chairman*)

Ms. Wan Pui Chi

Independent non-executive Directors

Ms. Lui Lai Chun

Dr. Chung Siu Kuen

Dr. Chu Kwan Siu Candace

BOARD COMMITTEES

Audit Committee

Ms. Lui Lai Chun (*Chairman*)

Dr. Chung Siu Kuen

Dr. Chu Kwan Siu Candace

Remuneration Committee

Ms. Lui Lai Chun (*Chairman*)

Dr. Chan Lai Sin

Dr. Chung Siu Kuen

Dr. Chu Kwan Siu Candace

Nomination Committee

Dr. Chu Kwan Siu Candace (*Chairman*)

Dr. Chan Lai Sin

Ms. Lui Lai Chun

Dr. Chung Siu Kuen

COMPANY SECRETARY

Ms. Ng Hoi Ying

AUTHORISED REPRESENTATIVES

Dr. Chan Lai Sin

Ms. Ng Hoi Ying

COMPLIANCE OFFICER

Dr. Chan Lai Sin

COMPLIANCE ADVISER

Frontpage Capital Limited

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188 Lockhart Road

Wan Chai

Hong Kong

AUDITORS

Asian Alliance (HK) CPA Limited

Certified Public Accountants

Registered Public Interest Entity Auditor

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CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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New Territories
Hong Kong

PRINCIPAL BANKS

Bank of China
Hang Seng Bank
The Hongkong and Shanghai Banking
Corporation Limited

STOCK CODE

8455

COMPANY'S WEBSITE

www.dic.hk

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

For the three months and six months ended 30 September 2023

The unaudited condensed consolidated results of the Group for the three months and six months ended 30 September 2023, together with the unaudited comparative figures for the corresponding periods in 2022, are as follows:

	Note	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Revenue	5	28,570	24,356	53,006	59,285
Direct costs		(23,343)	(18,007)	(42,815)	(44,167)
Gross profit		5,227	6,349	10,191	15,118
Other income and other gains	5	332	428	721	1,314
Administrative and other operating expenses		(7,544)	(9,784)	(17,102)	(17,665)
Operating loss		(1,985)	(3,007)	(6,190)	(1,233)
Finance costs	7	(121)	(27)	(230)	(67)
Loss before income tax	6	(2,106)	(3,034)	(6,420)	(1,300)
Income tax credit	8	22	200	21	13
Loss for the period attributable to the owners of the Company		(2,084)	(2,834)	(6,399)	(1,287)
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		2	9	-	14
Other comprehensive income for the period attributable to the owners of the Company, net of income tax		2	9	-	14
Total comprehensive expense for the period attributable to the owners of the Company		(2,082)	(2,825)	(6,399)	(1,273)
Loss per share attributable to the owners of the Company for the period					
- Basic and diluted loss per share	9	(HK0.26 cents)	(HK0.35 cents)	(HK0.80 cents)	(HK0.16 cents)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

		Unaudited As at 30 September 2023 HK\$'000	Audited As at 31 March 2023 HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	11	8,722	8,775
Right-of-use assets		–	–
Investment in a life insurance policy		6,540	6,540
Deferred tax assets		178	155
Total non-current assets		15,440	15,470
Current assets			
Contract assets		547	593
Trade and other receivables	12	2,633	1,985
Tax recoverable		45	69
Time deposit		10,203	10,203
Cash and cash equivalent	15	17,110	24,312
Total current assets		30,538	37,162
Total assets		45,978	52,632
EQUITY			
Capital and reserves			
Share capital	16	8,000	8,000
Reserves		6,298	12,697
Total equity		14,298	20,697

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	<i>Note</i>	Unaudited As at 30 September 2023 HK\$'000	Audited As at 31 March 2023 HK\$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		1,272	1,921
Deferred tax liabilities		36	34
Total non-current liabilities		1,308	1,955
Current liabilities			
Contract liabilities		13,793	10,777
Trade and other payables	17	8,647	10,613
Amount due to a director	14	74	21
Amount due to related companies	13	42	–
Provision for warranties		1,021	878
Bank borrowing	18	5,557	6,409
Lease liabilities		1,238	1,282
Total current liabilities		30,372	29,980
Total liabilities		31,680	31,935
Total equity and liabilities		45,978	52,632

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	Attributable to owners of the Company					Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Translation reserves HK\$'000	Other reserves HK\$'000 <i>(Note i)</i>	Accumulated losses HK\$'000	
Balance as at 1 April 2022 (Audited)	8,000	44,419	(5)	(5,829)	(7,983)	38,602
Loss for the period	-	-	-	-	(1,287)	(1,287)
Other comprehensive income for the period	-	-	14	-	-	14
Total comprehensive income/(expense) for the period	-	-	14	-	(1,287)	(1,273)
Balance at 30 September 2022 (Unaudited)	<u>8,000</u>	<u>44,419</u>	<u>9</u>	<u>(5,829)</u>	<u>(9,270)</u>	<u>37,329</u>
Balance at 1 April 2023 (Audited)	8,000	44,419	(2)	(5,829)	(25,891)	20,697
Loss for the period	-	-	-	-	(6,399)	(6,399)
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive expense for the period	-	-	-	-	(6,399)	(6,399)
Balance at 30 September 2023 (Unaudited)	<u>8,000</u>	<u>44,419</u>	<u>(2)</u>	<u>(5,829)</u>	<u>(32,290)</u>	<u>14,298</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 2023

	Unaudited Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash (used in)/generated from operations	(5,431)	1,237
Tax refunded	24	7
	<u>(5,407)</u>	<u>1,244</u>
Net cash (used in)/generated from operating activities	(5,407)	1,244
Cash flows from investing activities		
Investment in a life insurance policy	–	(7,470)
Interest received	43	74
Purchases of property, plant and equipment	(63)	(14)
	<u>(20)</u>	<u>(7,410)</u>
Net cash used in investing activities	(20)	(7,410)
Cash flows from financing activities		
Interest paid on bank borrowing	(158)	(34)
Proceed from bank borrowings	–	5,557
Repayment of lease liabilities	(765)	(982)
Repayment of bank borrowings	(852)	(995)
	<u>(1,775)</u>	<u>3,546</u>
Net cash (used in)/generated financing activities	(1,775)	3,546
Net decrease in cash and cash equivalents	(7,202)	(2,620)
Cash and cash equivalents at the beginning of period	24,312	57,735
Cash and cash equivalents at the end of period	17,110	55,115

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 (“**Chun Wah**”), a company incorporated in the Republic of Seychelles. Its ultimate controlling party is Dr. Chan Lai Sin (“**Dr. Chan**”), who is also the chairman of the board of Directors (the “**Board**”) and an 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.

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 for the six months ended 30 September 2023 has been prepared in accordance with the HKAS 34 “Interim Financial Reporting” and the applicable disclosure provisions of the GEM Listing Rules.

The unaudited condensed consolidated financial statements for the six months ended 30 September 2023 should be read in conjunction with the audited consolidated financial statements for the year ended 31 March 2023 and the notes thereto (the “**2023 Audited Consolidated Financial Statements**”). The significant accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the 2023 Audited Consolidated Financial Statements except for the new and revised standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) that are adopted for the first time for the current period’s financial statements. It should be noted that accounting estimates and assumptions were adopted in the preparation of the unaudited condensed consolidated financial statements. Although the estimates are based on the management’s best knowledge of and judgement on the present events and actions, the actual results may eventually differ from those estimates.

The unaudited condensed consolidated financial statements for the six months ended 30 September 2023 has not been audited or reviewed by the Company’s external auditors, but has been reviewed by the audit Committee of the Company (the “**Audit Committee**”).

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

Certain new and revised Hong Kong Financial Reporting Standards (“**HKFRS(s)**”) have been issued. The Directors considered that the adoption of those new HKFRSs which are effective for the accounting periods beginning on 1 April 2023 will not have any material impact on the preparation and presentation of the results and financial conditions of the current period and previous periods. For the HKFRSs that are not yet effective nor have not been early adopted, the Group is in the process of making an assessment of the potential impact of the newly issued HKFRSs.

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 2023.

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 2023.

4.3 Fair value estimation

As at 31 March 2023 and 30 September 2023, 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.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 REVENUE, OTHER INCOME AND OTHER GAINS

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

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Revenue				
Residential interior design and fit-out services	25,070	23,714	47,662	58,105
Commercial interior design and fit-out services	3,500	642	5,344	1,180
	<u>28,570</u>	<u>24,356</u>	<u>53,006</u>	<u>59,285</u>

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Other income and other gains				
Government grants (<i>Note</i>)	–	179	–	691
Referral income	162	186	539	425
Interest income	31	63	43	74
Others	139	–	139	124
	<u>332</u>	<u>428</u>	<u>721</u>	<u>1,314</u>

Note: During the six months ended 30 September 2022, the Group recognised government grants of approximately HK\$691,000 in respect of COVID-19 related subsidies related to Employment Support Scheme and one-off subsidy provided by the Hong Kong government.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Disaggregation of revenue from contracts with customers

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Timing of revenue recognition				
Over-time	<u>28,570</u>	<u>24,356</u>	<u>53,006</u>	<u>59,285</u>
Types of goods and services				
Interior design and fit-out services	<u>28,570</u>	<u>24,356</u>	<u>53,006</u>	<u>59,285</u>

6 LOSS BEFORE INCOME TAX

Loss before income tax is stated after charging the following items:

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Depreciation of property, plant and equipment (<i>Note 11</i>)	58	97	116	353
Depreciation of right-of-use assets	–	474	–	949
Legal and professional fee	673	584	1,253	1,177
Materials	2,562	3,819	5,965	6,273
Lease payments relating to short- term leases in respect of premises	211	92	424	186
Lease payments relating to leases of low-value assets, excluding short term leases of low-value assets:				
– office equipment	7	5	14	9
Subcontracting charges	19,536	12,093	32,569	33,907
Staff costs, including directors' emoluments	<u>3,624</u>	<u>4,465</u>	<u>8,800</u>	<u>8,510</u>

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7 FINANCE COSTS

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Interest on bank borrowing	84	14	158	34
Interest on leases liabilities	37	13	72	33
	<u>121</u>	<u>27</u>	<u>230</u>	<u>67</u>

8 INCOME TAX CREDIT

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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, the Hong Kong Profits Tax of the qualifying group entity 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.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the six months ended 30 September 2023 and 2022.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Current income tax – Hong Kong				
Profits Tax	–	(196)	–	–
Deferred income tax	<u>(22)</u>	<u>(4)</u>	<u>(21)</u>	<u>(13)</u>
Income tax credit	<u><u>(22)</u></u>	<u><u>(200)</u></u>	<u><u>(21)</u></u>	<u><u>(13)</u></u>

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

(a) Basic

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2023	2022	2023	2022
Loss for the period attributable to the owners of the Company (HK\$'000)	(2,084)	(2,834)	(6,399)	(1,287)
Weighted average number of ordinary shares in issue ('000)	800,000	800,000	800,000	800,000
Basic loss per share (expressed in HK cents per share)	<u>(0.26)</u>	<u>(0.35)</u>	<u>(0.80)</u>	<u>(0.16)</u>

The weighted average number of ordinary shares for the six months ended 30 September 2023 and 2022 were derived from 800,000,000 ordinary shares in issue by the Company.

(b) Diluted

Diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares in issue during the six months ended 30 September 2023 and 2022.

10 DIVIDENDS

The Board does not recommend a payment of an interim dividend for the six months ended 30 September 2023 (2022: Nil).

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

11 PROPERTY, PLANT AND EQUIPMENT

	Land and Building HK\$'000	Computer equipment HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Audited							
Cost							
As at 1 April 2022	10,320	2,821	795	507	657	3,561	18,661
Additions	–	177	–	–	41	482	700
As at 31 March 2023	<u>10,320</u>	<u>2,998</u>	<u>795</u>	<u>507</u>	<u>698</u>	<u>4,043</u>	<u>19,361</u>
Accumulated depreciation							
As at 1 April 2022	1,319	2,552	795	507	610	3,071	8,854
Charge for the year	226	109	–	–	26	328	689
Impairment loss recognised in profit or loss	–	337	–	–	62	644	1,043
As at 31 March 2023	<u>1,545</u>	<u>2,998</u>	<u>795</u>	<u>507</u>	<u>698</u>	<u>4,043</u>	<u>10,586</u>
Net book value							
As at 31 March 2023	<u>8,775</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>8,775</u>
Unaudited							
Cost							
As at 1 April 2023	10,320	2,998	795	507	698	4,043	19,361
Additions	–	63	–	–	–	–	63
As at 30 September 2023	<u>10,320</u>	<u>3,061</u>	<u>795</u>	<u>507</u>	<u>698</u>	<u>4,043</u>	<u>19,424</u>
Accumulated depreciation							
As at 1 April 2023	1,545	2,998	795	507	698	4,043	10,586
Charge for the period (Note 6)	115	1	–	–	–	–	116
As at 30 September 2023	<u>1,660</u>	<u>2,999</u>	<u>795</u>	<u>507</u>	<u>698</u>	<u>4,043</u>	<u>10,702</u>
Net book value							
As at 30 September 2023	<u>8,660</u>	<u>62</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>8,722</u>

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

12 TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 September 2023 HK\$'000	Audited As at 31 March 2023 HK\$'000
Trade receivables	1,290	158
Less: allowance for credit losses	(42)	(42)
	<u>1,248</u>	<u>116</u>
Other receivables, deposits and prepayments	1,404	1,888
Less: allowance for credit losses	(19)	(19)
	<u>1,385</u>	<u>1,869</u>
Total trade and other receivables	<u><u>2,633</u></u>	<u><u>1,985</u></u>

Notes:

- (a) No credit period was granted to customers (31 March 2023: Nil) generally. Trade receivables are denominated in HK\$.
- (b) The ageing analysis of the trade receivables based on invoice date is as follows:

	Unaudited As at 30 September 2023 HK\$'000	Audited As at 31 March 2023 HK\$'000
0-30 days	1,169	6
31-60 days	-	-
61-90 days	-	110
Over 90 days	79	-
	<u>1,248</u>	<u>116</u>

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 AMOUNTS DUE TO RELATED COMPANIES

	Unaudited	Audited
	As at	As at
	30 September	31 March
	2023	2023
	HK\$'000	HK\$'000
Amounts due to related companies:		
Happy Field Corporation Limited (“ Happy Field ”)	5	–
Rising Wing Enterprises Limited (“ Rising Wing ”)	37	–
	<u>42</u>	<u>–</u>

Dr. Chan is the common director of Happy Field, Rising Wing and the Company. The balance is denominated in HK\$. The amounts due to related companies are non-trade in nature, unsecured, interest-free and repayable on demand (Note 19).

14 AMOUNT DUE TO A DIRECTOR

	Unaudited	Audited
	As at	As at
	30 September	31 March
	2023	2023
	HK\$'000	HK\$'000
Name of Director		
Dr. Chan	<u>74</u>	<u>21</u>

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Dr. Chan is an executive Director and the chairman of the Board. The balance is denominated in HK\$. The amounts due to a director is non-trade in nature, unsecured, interest-free and repayable on demand (Note 19).

15 CASH AND CASH EQUIVALENTS

	Unaudited As at 30 September 2023 HK\$'000	Audited As at 31 March 2023 HK\$'000
Cash at banks	16,841	23,825
Cash on hand	269	487
Cash and cash equivalents	<u>17,110</u>	<u>24,312</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 2023 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 HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 April 2022, 31 March 2023 and 30 September 2023	<u>1,000,000</u>	<u>10,000</u>
Issued and fully paid:		
As at 1 April 2022, 31 March 2023 and 30 September 2023	<u>800,000</u>	<u>8,000</u>

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

17 TRADE AND OTHER PAYABLES

	Unaudited As at 30 September 2023 HK\$'000	Audited As at 31 March 2023 HK\$'000
Trade payables	6,695	8,293
Other payables and accruals	1,952	2,320
	<u>8,647</u>	<u>10,613</u>

Notes:

- (a) Payment terms granted by suppliers and subcontractors are generally 30 days (31 March 2023: 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 As at 30 September 2023 HK\$'000	Audited As at 31 March 2023 HK\$'000
0-30 days	4,114	738
31-60 days	276	957
61-90 days	195	389
Over 90 days	2,110	6,209
	<u>6,695</u>	<u>8,293</u>

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

18 BANK BORROWING

		Unaudited As at 30 September 2023 HK\$'000	Audited As at 31 March 2023 HK\$'000
Secured	(a)	5,557	5,557
Unsecured	(b)	—	852
		<u>5,557</u>	<u>6,409</u>
		Unaudited As at 30 September 2023 HK\$'000	Audited As at 31 March 2022 HK\$'000

The carrying amount of the above bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable:

Within one year	5,557	6,409
Within a period of more than one year but not exceeding two years	—	—
	<u>5,557</u>	<u>6,409</u>

Notes:

- (a) The secured bank loan is denominated in HK\$, interest bearing at Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 1% per annum. The bank loan is secured by (i) personal guarantee given by Dr. Chan; and (ii) the investment in a life insurance contract with carrying amount of approximately HK\$6,540,000 as at 30 September 2023 (31 March 2023: approximately HK\$6,540,000). The range of effective interest rates during the six months ended 30 September 2023 is between 4.76% to 6.02% per annum (2022: between 4.74% to 6.03% per annum).
- (b) The unsecured bank loan is denominated in HK\$, interest-bearing at Hong Kong Dollars Best Lending Rate quoted by the bank (“**Prime Rate**”) minus 2.25% per annum. The bank loan is secured by personal guarantee given by Dr. Chan, being the chairman of the Board, an executive Director and substantial shareholder of the Company. The range of effective interest rates during the six months ended 30 September 2023 is between 0.30% to 1.07% per annum (2022: between 2.75% to 2.88% per annum).

As at 30 September 2023, the Group has undrawn credit facilities of approximately HK\$306,000 (31 March 2023: approximately HK\$306,000).

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 are of the view that the following parties 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 Dr. Chan.
Rising Wing	A related company owned by Dr. Chan.
Dr. Chan	An executive Director and the chairman of the Board.

- (b) **Directors' and chief executive's emoluments**

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

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries and other benefits	1,142	1,386	2,416	2,762
Retirement scheme contributions	9	14	18	27
	<u>1,151</u>	<u>1,400</u>	<u>2,434</u>	<u>2,789</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 the provision of interior design services by the Group's in-house design team. The Group's customers are provided 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\$53.0 million and HK\$59.3 million, of which approximately HK\$47.7 million and HK\$58.1 million representing approximately 89.9% and 98.0% of the Group's total revenue were generated from residential interior design and fit-out services for the six months ended 30 September 2023 and 2022, respectively. Approximately HK\$5.3 million and HK\$1.2 million, representing approximately 10.1% and 2.0% of the Group's total revenue were generated from commercial interior design and fit-out services for the six months ended 30 September 2023 and 2022, respectively.

For the six months ended 30 September 2023, the Group recorded a net loss of approximately HK\$6.4 million as compared to a net loss of approximately HK\$1.3 million for the same period in 2022. The Directors are of the view that the increase in net loss was primarily attributable to the decline in revenue due to the decrease in the number of projects undertaken by the Group during the period as a result of the continued adverse market conditions for the six months ended 30 September 2023.

OUTLOOK

Although global economic activities have been gradually recovering in 2023, the Directors are of the view that the property market in Hong Kong will remain uncertain in the near future.

It is expected that the current year remains challenging 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 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 strive to control its operating costs, as well as monitoring the current market trend to anticipate any downturn or changes in the current market.

MANAGEMENT DISCUSSION AND ANALYSIS

Looking forward, the Directors are 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 design and fit-out market. In view of the potential expansion of the Group's market share in Hong Kong, the Group will strive to expand its business coverage throughout Hong Kong to extend its reach to more potential customers.

Meanwhile, as disclosed in the announcement of the Company dated 5 October 2023, New Base Enterprises Limited ("**New Base**"), a wholly owned subsidiary of the Company, entered into a service agreement with Mini Home Media Limited ("**Mini Home**"), the operator of the HKCTS bus mall (中旅巴士商城), an online shopping platform facilitating cross border e-commerce activities, pursuant to which New Base will offer a variety of Hong Kong-branded household products available on the HKCTS bus mall while Mini Home will operate the HKCTS bus mall and provide marketing and advertising channels, distribution and logistics services to New Base. The Board believes that it will be a good opportunity to broaden the Group's revenue stream and promote the public awareness of the Group's brand.

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. The Group's revenue decreased by approximately 10.6% from approximately HK\$59.3 million for the six months ended 30 September 2022 to approximately HK\$53.0 million for the six months ended 30 September 2023. Such decrease was mainly due to the decrease in the number of projects undertaken by the Group during the period as a result of the continued adverse market conditions.

Direct costs

The Group's direct costs consist primarily of (i) materials; (ii) subcontracting charges; (iii) staff costs; and (iv) warranty expenses. The Group's direct costs decreased by approximately 3.1% from approximately HK\$44.2 million for the six months ended 30 September 2022 to approximately HK\$42.8 million for the six months ended 30 September 2023. Such decrease was primarily attributable to the decrease in revenue for the same period.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

Gross profit represents revenue less direct costs. The Group's gross profit decreased by approximately HK\$4.9 million, or approximately 32.6%, from approximately HK\$15.1 million for the six months ended 30 September 2022 to approximately HK\$10.2 million for the six months ended 30 September 2023. The decrease in gross profit was mainly due to the decrease in revenue as mentioned above.

The Group's gross profit margin was approximately 19.2% for the six months ended 30 September 2023, representing a decrease of approximately 6.3 percentage points as compared to approximately 25.5% for the six months ended 30 September 2022. Such decrease was mainly due to the lower profit margin contributed by recently commenced projects.

Administrative and other operating expenses

The Group's administrative and other operating expenses for the six months ended 30 September 2023 was approximately HK\$17.1 million, representing a decrease of approximately 3.2% from approximately HK\$17.7 million for the six months ended 30 September 2022, primarily due to the decrease in depreciation of right-of-use assets for the six months ended 30 September 2023.

Loss attributable to the owners of the Company

As a result of the foregoing, the Group's loss attributable to the owners of the Company for the six months ended 30 September 2023 amounted to approximately HK\$6.4 million, representing an increase in loss of approximately HK\$5.1 million as compared with the loss attributable to the owners of the Company of approximately HK\$1.3 million for the six months ended 30 September 2022. It was mainly due to the decline in revenue due to the decrease in the number of projects undertaken by the Group and the decrease in gross profit margin during the period as a result of the continued adverse market conditions.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2023.

Business strategy as stated in the Prospectus

Progress up to 30 September 2023

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 newly-hired staff |
| • To offer incentive bonus to employees | Portion of proceeds were used for hiring additional employees and talents |

MANAGEMENT DISCUSSION AND ANALYSIS

Business strategy as stated in the Prospectus Progress up to 30 September 2023

Upgrade the information systems

- To pay for software development and upgrade office systems and design softwares The Group is in the progress of upgrading office systems and design softwares

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 listing of shares of the Company on GEM of the Stock Exchange 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 (the “**Net Proceeds**”). The Net Proceeds were applied in the manner as described in the Prospectus and the announcement of the Company dated 7 March 2023 in relation to the change in use of net proceeds (the “**Announcement**”).

MANAGEMENT DISCUSSION AND ANALYSIS

The below table sets out the proposed applications of the Net Proceeds from the Listing Date to 30 September 2023:

Planned use of Net Proceeds as disclosed in the Prospectus and as amended in the Announcement	Unutilised Net Proceeds as at 31 March 2023	Utilised Net Proceeds during the reporting period	Utilised Net Proceeds up to 30 September 2023	Unutilised Net Proceeds up to 30 September 2023	Expected timeline of full utilisation of the unutilised Net Proceeds
Expansion of market coverage in Hong Kong	-	-	-	-	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	0.5	1.6	0.3	by March 2025
Development of fleet of vehicles	2.6	-	2.6	-	N/A
General working capital	21.6	19.8	9.7	11.9	by March 2025
	<u>34.8</u>	<u>20.3</u>	<u>8.1</u>	<u>22.6</u>	<u>12.2</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 Listing Date, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

For upgrading information systems, the Company is currently in the progress of upgrading office systems and design softwares. Therefore, the Company expects to utilise these unutilised Net Proceeds of approximately HK\$0.3 million by 31 March 2025 to upgrade the information systems.

As at 30 September 2023, the unutilised Net Proceeds of approximately HK\$12.2 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 consists only 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 2023, the Group had total debts, comprising bank borrowing and lease liabilities, of approximately HK\$8.1 million which were denominated in Hong Kong dollars (31 March 2023: approximately HK\$9.6 million).

As at 30 September 2023, the Group had approximately HK\$27.3 million in cash and bank balances and time deposits (31 March 2023: approximately HK\$34.5 million). The Directors believe that the Group is in a healthy financial position to expand its core business and to achieve its business objectives.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

As at 30 September 2023, the gearing ratio of the Group was approximately 56.5% (31 March 2023: approximately 46.4%). 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 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 30 September 2023 and 31 March 2023, the Policy was pledged 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 herein, there were no significant investments held, material acquisitions and disposals of subsidiaries and affiliated companies by the Company during the six months ended 30 September 2023. There were no other plans for material investments or capital assets as at 30 September 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2023 (31 March 2023: Nil).

CAPITAL COMMITMENTS

As at 30 September 2023, the Group had approximately HK\$5.0 million of capital commitment in relation to the unpaid registered capital of a subsidiary (31 March 2023: approximately HK\$5.0 million).

SEGMENT INFORMATION

The Group principally operates in one business segment, which is the provision of 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 2023 (2022: Nil).

EVENT AFTER REPORTING PERIOD

Saved as disclosed in this report, there is no other important event affecting the Group since 30 September 2023 and up to the date of this report.

INFORMATION ON EMPLOYEES

As at 30 September 2023, the Group had 34 employees working in Hong Kong (31 March 2023: 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 six months ended 30 September 2023 amounted to approximately HK\$8.8 million (2022: approximately HK\$8.5 million).

OTHER INFORMATION

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

As at 30 September 2023, 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 5.67 of GEM Listing Rules, are as follows:

Long positions in the ordinary shares and the underlying shares of the Company

Name	Capacity/Nature of interest	Number of underlying shares	Approximate percentage of shareholding
Dr. Chan (<i>Note</i>)	Interest of a controlled corporation	408,370,000	51.05%

Note: Dr. Chan legally and beneficially owns the entire issued share capital of Chun Wah. Therefore, Dr. Chan is deemed, or taken to be, interested in all the shares held by Chun Wah for the purpose of the SFO. Dr. Chan is the sole director of Chun Wah.

Save as disclosed above, as at 30 September 2023, 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 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

OTHER INFORMATION

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

So far as known to the Directors or chief executives of the Company, as at 30 September 2023, 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 Divisions 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 the ordinary shares and the 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 Dr. Chan. Ms. Wong is deemed, or taken to be, interested in the same number of shares in which Dr. Chan is interested for the purpose of the SFO.

Save as disclosed above, as at 30 September 2023, 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 Divisions 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 a general meeting of the Company or any other member of the Group.

OTHER INFORMATION

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 2023.

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, apart from the business of the Group, 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 2023.

Non-Competition Undertaking

In order to avoid any possible future competition between the Group and the controlling shareholders of the Company, Dr. 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.

OTHER INFORMATION

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 Covenanter(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 2023, 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 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 "**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 2023.

SHARE OPTION SCHEME

The share option scheme of the Company (the "**Share Option Scheme**") was conditionally adopted pursuant to the written resolution of the then 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 the Group. 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.

OTHER INFORMATION

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 a 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 a 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.

OTHER INFORMATION

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 a 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. As at the date of this interim report, the Share Option Scheme had a remaining life of approximately three years.

As at 1 April 2023 and 30 September 2023, the total number of share options available for grant under the Share Option Scheme was 80,000,000. For the six months ended 30 September 2023, no share option was granted, exercised, expired, lapsed or cancelled and there is no outstanding share option under the Share Option Scheme. The total number of shares of the Company that may be issued in respect of options granted under all shares schemes of the Company during the six months ended 30 September 2023 is 80,000,000 shares, representing 10% of the Company's issued shares capital as at the date of this report.

OTHER INFORMATION

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 the 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 2023 and up to the date of this report.

AUDIT COMMITTEE

The Audit Committee was established on 24 March 2017. The chairman of the Audit Committee is Ms. Lui Lai Chun, an 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.

OTHER INFORMATION

The primary duties of the Audit Committee are mainly to review the financial information and oversee the financial controls, internal control procedures and risk management systems 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 Company complied with Rule 5.28 to 5.33 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 2023 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 2023 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 is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.dic.hk). The interim report of the Company for the six months ended 30 September 2023 will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company on or about 14 November 2023. 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 branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited.

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

Hong Kong, 7 November 2023

As at the date of this report, 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.