

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

2022

First Quarterly Report

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.*

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

For the three months ended 30 June 2022

The unaudited condensed consolidated results of the Group for the three months ended 30 June 2022, together with the unaudited comparative figures for the corresponding period in 2021, are as follows:

| | | Unaudited | |
|---|--------------|-----------------------------------|----------|
| | | Three months ended 30 June | |
| | <i>Notes</i> | 2022 | 2021 |
| | | HK\$'000 | HK\$'000 |
| Revenue | 3 | 34,929 | 39,931 |
| Direct costs | | (26,160) | (30,689) |
| Gross profit | | 8,769 | 9,242 |
| Other income, other gains and losses, net | 3 | 886 | 135 |
| Administrative and other operating expenses | | (7,881) | (8,769) |
| Operating profit | | 1,774 | 608 |
| Finance costs | | (40) | (74) |
| Profit before income tax | | 1,734 | 534 |
| Income tax expense | 4 | (187) | (117) |
| Profit for the period | | 1,547 | 417 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences arising on translation of foreign operations | | 5 | 1 |
| Other comprehensive income for the period, net of income tax | | 5 | 1 |
| Total comprehensive income for the period | | 1,552 | 418 |

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

For the three months ended 30 June 2022

| | <i>Notes</i> | Unaudited | |
|--|--------------|----------------------------|-------------|
| | | Three months ended 30 June | |
| | | 2022 | 2021 |
| | | HK\$'000 | HK\$'000 |
| Profit/(loss) for the period attributable to: | | | |
| Owners of the Company | | 1,547 | 474 |
| Non-controlling interests | | — | (57) |
| | | <u>1,547</u> | <u>417</u> |
| Total comprehensive income/(expense) for the period attributable to: | | | |
| Owners of the Company | | 1,552 | 475 |
| Non-controlling interests | | — | (57) |
| | | <u>1,552</u> | <u>418</u> |
| Earnings per share attributable to owners of the Company for the period | | | |
| – Basic and diluted earnings per share (HK cents) | 5 | <u>0.19</u> | <u>0.06</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2022

| | Attributable to owners of the Company | | | | | | Attributable to non-controlling interests | Total equity |
|---|---------------------------------------|---------------|---------------------|----------------|--------------------|---------------|---|---------------|
| | Share capital | Share premium | Translation reserve | Other reserve | Accumulated losses | Sub-total | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Balance as at 1 April 2021 (Audited) | 8,000 | 44,419 | (2) | (5,899) | (4,411) | 42,107 | 761 | 42,868 |
| Profit for the period | - | - | - | - | 474 | 474 | (57) | 417 |
| Other comprehensive income for the period | - | - | 1 | - | - | 1 | - | 1 |
| Total comprehensive income/(expense) for the period | - | - | 1 | - | 474 | 475 | (57) | 418 |
| Balance at 30 June 2021 (Unaudited) | <u>8,000</u> | <u>44,419</u> | <u>(1)</u> | <u>(5,899)</u> | <u>(3,937)</u> | <u>42,582</u> | <u>704</u> | <u>43,286</u> |
| Balance as at 1 April 2022 (Audited) | 8,000 | 44,419 | (5) | (5,829) | (7,983) | 38,602 | - | 38,602 |
| Profit for the period | - | - | - | - | 1,547 | 1,547 | - | 1,547 |
| Other comprehensive income for the period | - | - | 5 | - | - | 5 | - | 5 |
| Total comprehensive income for the period | - | - | 5 | - | 1,547 | 1,552 | - | 1,552 |
| Balance as at 30 June 2022 (Unaudited) | <u>8,000</u> | <u>44,419</u> | <u>-</u> | <u>(5,829)</u> | <u>(6,436)</u> | <u>40,154</u> | <u>-</u> | <u>40,154</u> |

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The unaudited condensed consolidated financial statements also include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance (Cap. 622 of the laws of Hong Kong). The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The preparation of unaudited condensed consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(a) Adoption of amendments to standards

The Group has adopted the following amendments to existing standards which are mandatory for the financial year beginning on or after 1 January 2022:

| | |
|----------------------|--|
| Amendment to HKFRS 3 | Reference to the Conceptual Framework |
| Amendment to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendment to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendment to HKFRSs | Annual Improvements to HKFRSs 2018-2020 |

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

(b) The following new standards and revisions to standards have been issued, but are not effective for the financial year beginning on 1 January 2022 and have not been early adopted by the Group:

| | |
|---|--|
| HKFRS 17 | Insurance Contracts and the related Amendments 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 HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹ |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ¹ |
| Amendments to HKAS 8 | Definition of Accounting Estimates ¹ |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹ |

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.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

3. REVENUE, OTHER INCOME, OTHER GAINS AND LOSSES, NET

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

| | Unaudited | |
|--|-----------------------------------|----------|
| | Three months ended 30 June | |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| Revenue | | |
| Residential interior design and fit-out services | 34,391 | 38,857 |
| Commercial interior design and fit-out services | 538 | 1,074 |
| | 34,929 | 39,931 |

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Disaggregation of revenue from contracts with customers

| | Unaudited | |
|--|-----------------------------------|----------|
| | Three months ended 30 June | |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| Timing of revenue recognition | | |
| Over-time | 34,929 | 39,931 |
| | 34,929 | 39,931 |
| Types of goods and services | | |
| Interior design and fit-out services | 34,929 | 39,931 |
| | 34,929 | 39,931 |
| | | |
| | Unaudited | |
| | Three months ended 30 June | |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| Other income, other gains and losses, net | | |
| Government grants (<i>Note</i>) | 512 | – |
| Interest income | 11 | 21 |
| Referral income | 239 | 114 |
| Others | 124 | – |
| | 886 | 135 |

Note: During the three months ended 30 June 2022, the Group recognised government grants of approximately HK\$512,000 in respect of COVID-19 related subsidies, which related to Employment Support Share provided by the Hong Kong government.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. INCOME TAX EXPENSE

| | Unaudited | |
|--|----------------------------|-------------|
| | Three months ended 30 June | |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| Current income tax – Hong Kong Profits Tax | 196 | 112 |
| Deferred income tax | (9) | 5 |
| | <hr/> | <hr/> |
| Income tax expense | 187 | 117 |
| | <hr/> <hr/> | <hr/> <hr/> |

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 three months ended 30 June 2022 and 2021.

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE PERIOD – BASIC AND DILUTED

(a) Basic

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

| | Unaudited Three months ended 30 June | |
|---|---|-------------|
| | 2022 | 2021 |
| Profit for the period attributable to the owners of the Company (<i>HK\$'000</i>) | 1,547 | 474 |
| Weighted average number of ordinary shares in issue (<i>'000</i>) | 800,000 | 800,000 |
| Basic earnings per share (<i>expressed in HK cents per share</i>) | <u>0.19</u> | <u>0.06</u> |

The weighted average number of ordinary shares for the three months ended 30 June 2022 and 2021 were derived from 800,000,000 ordinary shares in issue by the Company.

(b) Diluted

Diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the three months ended 30 June 2022 and 2021.

6. DIVIDENDS

The board of Directors (the “**Board**”) does not recommend a payment of any dividend in respect of the three months ended 30 June 2022 (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in 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\$34.9 million and HK\$39.9 million, of which approximately HK\$34.4 million and HK\$38.8 million, representing approximately 98.6% and 97.2% of the Group's total revenue, were generated from residential interior design and fit-out services for the three months ended 30 June 2022 and 2021, respectively. Approximately HK\$0.5 million and HK\$1.1 million, representing approximately 1.4% and 2.8% of the Group's total revenue, were generated from commercial interior design and fit-out services for the three months ended 30 June 2022 and 2021, respectively.

For the three months ended 30 June 2022, the Group recorded a net profit of approximately HK\$1.5 million as compared to a net profit of approximately HK\$0.4 million for the same period in 2021. The Directors are of the view that the net profit was mainly attributable to the government grants received in relation to the outbreak of COVID-19 pandemic and the decrease in administrative staff costs.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

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

The Company is of the view that the high property prices favors the business of the Group as home owners find it increasingly difficult to afford new homes and have to resort to renovating their existing property to improve their living environment. As such, the Company will continue to build upon its marketing and promotional strategy to increase the awareness of the Group's brand name in the renovation and interior fit-out market. Given that the possible increase in the market size, the Group continues to expand its business coverage throughout Hong Kong in order to improve its reach to more potential customers. This involves opening of more branches to serve more potential customers in areas previously not covered by the Group.

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue is primarily generated from provision of interior design and fit-out services in Hong Kong which includes two main categories namely (i) residential interior design and fit-out services; and (ii) commercial interior design and fit-out services. The Group's revenue decreased by approximately 12.5% from approximately HK\$39.9 million for the three months ended 30 June 2021 to approximately HK\$34.9 million for the three months ended 30 June 2022. Such decrease was mainly due to the decrease in revenue generated from residential interior design and fit-out services.

Direct costs

The Group's direct costs consist primarily of (i) materials; (ii) subcontracting charges; (iii) staff costs; and (iv) warranty expenses. The Group's direct costs decreased by approximately 14.7% from approximately HK\$30.7 million for the three months ended 30 June 2021 to approximately HK\$26.2 million for the three months ended 30 June 2022. Such decrease was in line with the decrease in revenue for the same period.

Gross profit and gross profit margin

Gross profit represents revenue less direct costs. The Group's gross profit decreased by approximately HK\$0.5 million, or approximately 4.3%, from approximately HK\$9.2 million for the three months ended 30 June 2021 to approximately HK\$8.7 million for the three months ended 30 June 2022. The decrease in gross profit was mainly due to the decrease in revenue as mentioned above.

The Group's gross profit margin was approximately 25.2% for the three months ended 30 June 2022, representing an increase of approximately 2.1 percentage points as compared to approximately 23.1% for the three months ended 30 June 2021. The increase in gross profit margin was mainly due to the higher profit margin contributed by recent commenced projects.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative and other operating expenses

The Group's administrative and other operating expenses for the three months ended 30 June 2022 were approximately HK\$7.9 million, representing a decrease of approximately 10.2% from approximately HK\$8.8 million for the three months ended 30 June 2021, primarily due to the decrease in administrative staff costs.

Profit attributable to owners of the Company

As a result of the foregoing, the Group's profit attributable to owners of the Company for the three months ended 30 June 2022 amounted to approximately HK\$1.5 million, as compared with profit attributable to owners of the Company of approximately HK\$0.5 million for the three months ended 30 June 2021.

DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 30 June 2022 (2021: Nil).

OTHER INFORMATION

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

As at 30 June 2022, 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 ordinary shares and 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 June 2022, 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 June 2022, the following persons/entities (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in ordinary shares and underlying shares of the Company

| Name | Capacity/nature of interest | Number of underlying Shares | Approximate percentage of shareholding |
|------------------------------|-----------------------------|-----------------------------|--|
| Chun Wah | Beneficial owner | 408,370,000 | 51.05% |
| Ms. Wong Ting Nuen (Note) | 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.

OTHER INFORMATION

Save as disclosed above, as at 30 June 2022, there was no person or corporation, other than the Directors and chief executives of the Company whose interests are set out in the section “Directors’ and chief executives’ interests and short positions in shares, underlying shares and debentures” above, had any interest or a short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the three months ended 30 June 2022.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the controlling shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) engaged in any businesses that competes or may compete with the business of the Group or has any other conflict of interests with the Group for the three months ended 30 June 2022.

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.

OTHER INFORMATION

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it shall (and he/it shall procure his/its associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not.

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

During the three months ended 30 June 2022, the Company had not received any information in writing from any of the controlling shareholders of the Company in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to be the knowledge of the controlling shareholders of the Company or their associates (other than any member of the Group).

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in rules 5.48 to 5.68 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company (the "**Required Standard of Dealings**"). 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 during the three months ended 30 June 2022.

OTHER INFORMATION

SHARE OPTION SCHEME

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

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

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

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

OTHER INFORMATION

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

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

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

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

OTHER INFORMATION

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

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

For the three months ended 30 June 2022, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by the Group's compliance adviser, Frontpage Capital Limited ("**Frontpage Capital**"), save as the compliance adviser agreement entered into between the Company and Frontpage Capital, none of Frontpage Capital or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE PRACTICE

We are committed to achieving and maintaining high standards of corporate governance, as our 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 (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 three months ended 30 June 2022 and up to the date of this report.

OTHER INFORMATION

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established on 24 March 2017. The chairman of the Audit Committee is Ms. Lui Lai Chun, the independent non-executive Director, and other members include Dr. Chung Siu Kuen and Dr. Chu Kwan Siu Candace, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange’s website and on the Company’s website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rules 5.28 to 5.33 of the GEM Listing Rules and the code provision D.3 of the CG Code 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 unaudited condensed consolidated financial statements for the three months ended 30 June 2022 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 three months ended 30 June 2022 comply with applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

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

Hong Kong, 8 August 2022

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.