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## **LKS HOLDING GROUP LIMITED**

### **樂嘉思控股集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8415)**

#### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017**

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This announcement, for which the directors (the “**Directors**”) of LKS Holding Group Limited (the “**Company**”, 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 (the “**GEM Listing Rules**”) of the Stock Exchange 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 in this announcement misleading.*

*This announcement will remain on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on the “Latest Information” page for at least 7 days from the date of its posting and will be published on the Company’s website at [www.lksholding.com](http://www.lksholding.com).*

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2017

## UNAUDITED INTERIM RESULTS

The unaudited condensed consolidated results of the Group for the three months and six months ended 30 September 2017, together with the unaudited comparative figures for the corresponding periods in 2016, are as follows:

	Notes	Three months ended 30 September		Six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	6	33,739	40,749	80,071	71,001
Direct costs		<u>(28,700)</u>	<u>(33,763)</u>	<u>(65,486)</u>	<u>(56,134)</u>
Gross profit		5,039	6,986	14,585	14,867
Other income, other gains and losses, net	7	220	(73)	84	(359)
Administrative and other operating expenses		<u>(4,573)</u>	<u>(7,097)</u>	<u>(8,894)</u>	<u>(9,473)</u>
Finance costs	8	<u>(92)</u>	<u>(130)</u>	<u>(167)</u>	<u>(192)</u>
Profit/(Loss) before tax	9	594	(314)	5,608	4,843
Income tax expense	10	<u>(344)</u>	<u>(705)</u>	<u>(1,384)</u>	<u>(1,478)</u>
Profit/(Loss) and total comprehensive income/(expense) for the period attributable to the owners of the Company		<u>250</u>	<u>(1,019)</u>	<u>4,224</u>	<u>3,365</u>
Basic and diluted earnings/ (loss) per share (HK cents)	12	<u>0.02</u>	<u>(0.12)</u>	<u>0.38</u>	<u>0.40</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	<i>Notes</i>	<b>30 September 2017 HK\$'000 (Unaudited)</b>	31 March 2017 HK\$'000 (Audited)
<b>Non-current assets</b>			
Plant and equipment	13	739	775
Deposits and prepayments for life insurance policies		<u>2,807</u>	<u>2,807</u>
		<u>3,546</u>	<u>3,582</u>
<b>Current assets</b>			
Trade and other receivables	14	36,582	30,057
Amounts due from customers for contract work		41,971	31,363
Held for trade investment		14	13
Amount due from related parties		62	28
Pledged bank deposit	15	3,000	3,000
Bank balances and cash	15	<u>31,320</u>	<u>36,264</u>
		<u>112,949</u>	<u>100,725</u>
<b>Current liabilities</b>			
Trade payables and other payables	16	6,987	9,881
Derivative financial instruments		235	235
Amounts due to customers for contract work		6,429	3,725
Current tax liabilities		2,388	1,004
Bank borrowings		<u>13,253</u>	<u>6,483</u>
		<u>29,292</u>	<u>21,328</u>
<b>Net current assets</b>		<u>83,657</u>	<u>79,397</u>
<b>Total assets less current liabilities</b>		<u>87,203</u>	<u>82,979</u>
<b>Net assets</b>		<u>87,203</u>	<u>82,979</u>
<b>Capital and reserves</b>			
Share capital	17	11,200	11,200
Reserves		<u>76,003</u>	<u>71,779</u>
Equity attributable to owners of the Company		<u>87,203</u>	<u>82,979</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	<u>Attributable to owners of the Company</u>				<b>Total</b> <i>HK\$'000</i>
	<b>Share capital</b> <i>HK\$'000</i>	<b>Share premium</b> <i>HK\$'000</i>	<b>Special reserve</b> <i>HK\$'000</i>	<b>Retained earnings</b> <i>HK\$'000</i>	
At 1 April 2017 (Audited)	11,200	53,085	876	17,818	82,979
Profit and total comprehensive income for the period	—	—	—	4,224	4,224
<b>At 30 September 2017 (Unaudited)</b>	<b>11,200</b>	<b>53,085</b>	<b>876</b>	<b>22,042</b>	<b>87,203</b>
At 1 April 2016 (Audited)	2	—	874	22,608	23,484
Profit and total comprehensive income for the period	—	—	—	3,365	3,365
<b>At 30 September 2016 (Unaudited)</b>	<b>2</b>	<b>—</b>	<b>874</b>	<b>25,973</b>	<b>26,849</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 September 2017*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(11,482)</b>	<b>(7,714)</b>
<b>NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES</b>	<b>(65)</b>	<b>2,949</b>
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>6,603</b>	<b>16,579</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(4,944)</b>	<b>11,814</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>36,264</b>	<b>7,209</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>31,320</b>	<b>19,023</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 11 February 2016 as an exempted company with limited liability. The shares of the Company (the “**Share(s)**”) have been listed on the GEM of The Stock Exchange on 12 January 2017 (the “**Listing**”).

The addresses of the registered office and the principal place of business of the Company are P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and 21/F, Po Shau Centre, No. 115 How Ming Street, Kwun Tong, Kowloon, Hong Kong respectively.

The Company is an investment holding company. The Group is principally engaged in the provision of interior fitting-out, renovation, alteration and addition works services and interior design services.

The interim condensed consolidated financial statements are presented in Hong Kong dollars (“**HKS**”), which is the same as the functional currency of the Company.

### 2. BASIS OF PRESENTATION

The interim condensed consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the years presented in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years presented, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the years presented, or since their respective dates of incorporation, where this is a shorter period. The consolidated statement of financial position has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date.

### 3. ACCOUNTING POLICIES

The preparation of financial statements in conformity with Hong Kong Financial Reporting Standards (“**HKFRS**”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

**(a) The following new and amended standards have been adopted by the Group for the first time for the financial period beginning on or after 1 January 2017:**

Annual Improvements Project (Amendments) – HKFRS 12	Annual Improvements 2014 – 2016 Cycle
HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the above HKFRSs 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 1 January 2017 and have not been early adopted by the Group:**

Annual Improvements Project (Amendments) – HKFRS 1 and HKAS 28	Annual Improvements 2014 – 2016 Cycle <sup>1</sup>
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 <sup>1</sup>
HKAS 40 (Amendments)	Transfers of Investment Property <sup>1</sup>
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

1. *Effective for annual periods beginning on or after 1 January 2018.*
2. *Effective for annual periods beginning on or after 1 January 2019.*
3. *Effective for annual periods beginning on or after a date to be determined.*

The Group will apply the above HKFRSs when they become effective. The Group is in the process of making an assessment of the impact of the above HKFRSs.

## **4 ESTIMATES**

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2017.

## **5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

### **5.1 Financial risk factors**

The Group's activities are exposed to a variety of financial risks, interest rate risk, credit risk and liquidity risk. The interim condensed consolidated financial information do not include all financial risk management information and disclosures that are required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements as at 31 March 2017.

There have been no changes in the risk management policies since year end.

### **5.2 Liquidity risk**

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 2017.

### **5.3 Fair value estimation**

As at 31 March 2017 and 30 September 2017, 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.

## 6. REVENUE AND SEGMENT INFORMATION

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the executive Directors of the Company, being the chief operating decision maker (the “CODM”), for the purpose of resources allocation and performance assessment. The CODM assesses the operating performance and allocates the resources of the Group as a whole. As the Group is primarily engaged in the provision of interior fitting-out, renovation, alteration and addition works services and interior design services. Therefore, the management considers that the Group only has one operating segment.

An analysis of the Group’s revenue recognised during the period is as follows:

	Three months ended		Six months ended	
	30 September		30 September	
	2017	2016	2017	2016
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Revenue</b>				
Fitting-out and renovation services	<b>8,048</b>	13,697	<b>20,779</b>	27,193
Alteration and addition works services	<b>24,633</b>	23,048	<b>57,141</b>	37,825
Interior design services	<b>1,058</b>	4,004	<b>2,151</b>	5,983
Total	<b>33,739</b>	40,749	<b>80,071</b>	71,001

7. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	Three months ended		Six months ended	
	30 September		30 September	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Other income</b>				
Interest income on deposits and prepayments for life insurance policies	6	5	26	25
Sundry income	213	4	271	14
	<u>219</u>	<u>9</u>	<u>297</u>	<u>39</u>
<b>Other gains and losses, net</b>				
Loss arising on change in fair value of derivative financial instruments	–	(83)	(214)	(448)
Gain arising on change in fair value of held-for-trading investments	1	1	1	2
Gain on disposal of plant and equipment	–	–	–	48
	<u>1</u>	<u>(82)</u>	<u>(213)</u>	<u>(398)</u>
	<u><b>220</b></u>	<u><b>(73)</b></u>	<u><b>84</b></u>	<u><b>(359)</b></u>

## 8. FINANCE COSTS

	Three months ended		Six months ended	
	30 September		30 September	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on:				
– bank borrowings	92	126	167	174
– obligation under finance leases	–	4	–	18
	<u>92</u>	<u>130</u>	<u>167</u>	<u>192</u>

## 9. PROFIT/(LOSS) BEFORE TAX

	Three months ended		Six months ended	
	30 September		30 September	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(Loss) before tax				
has been arrived at after charging:				
Auditor remuneration	150	8	300	33
Listing expenses	–	3,769	–	4,116
Depreciation of plant and equipment	94	87	183	172
Directors' remuneration	570	286	1,259	729
Employee benefits expense:				
Salaries and other benefits	907	972	1,851	1,700
Retirement benefits scheme contributions	25	20	43	41
	<u>25</u>	<u>20</u>	<u>43</u>	<u>41</u>

## 10. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30 September		30 September	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong profits tax	<u>344</u>	<u>705</u>	<u>1,384</u>	<u>1,478</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits.

## 11. DIVIDEND

The Directors did not recommend a payment of an interim dividend for the six months ended 30 September 2017 (2016: Nil).

## 12. EARNINGS/(LOSS) PER SHARE

	Three months ended		Six months ended	
	30 September		30 September	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Earnings/(Loss)</b>				
Profit/(Loss) for the period attributable to owners of the Company for the purpose of basic earnings per share	<u>250</u>	<u>(1,019)</u>	<u>4,224</u>	<u>3,365</u>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,120,000</u>	<u>840,000</u>	<u>1,120,000</u>	<u>840,000</u>

The diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share as there is no dilutive potential ordinary share in issue during the six months ended 30 September 2017 and 2016.

### 13. PLANT AND EQUIPMENT

During the reporting period, the Group acquired plant and equipment of approximately HK\$0.74 million (2016: HK\$0.78 million).

### 14. TRADE RECEIVABLES AND OTHER RECEIVABLES

The Group's credit term offered to its customers is within 30 days from the date of invoices on progress payments of contract works.

	<b>30 September 2017 HK\$'000 (Unaudited)</b>	31 March 2017 HK\$'000 (Audited)
Trade Receivables	22,788	21,342
Less: Allowance for doubtful debts	<u>(3,006)</u>	<u>(1,926)</u>
	<b>19,782</b>	19,416
Other receivables, prepayments and deposits	6,209	1,187
Retention receivables	<u>10,591</u>	<u>9,454</u>
	<b><u>36,582</u></b>	<b><u>30,057</u></b>

The ageing analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date is as follows:

	<b>30 September 2017 HK\$'000 (Unaudited)</b>	31 March 2017 HK\$'000 (Audited)
0-30 days	6,583	15,313
31-60 days	3,291	2,434
61-90 days	221	296
91-180 days	8,941	1,126
over 180 days	<u>746</u>	<u>247</u>
	<b><u>19,782</u></b>	<b><u>19,416</u></b>

## 15. PLEDGED BANK DEPOSIT/BANK BALANCES AND CASH

As at 30 September 2017, the Group had a pledged bank deposit of HK\$3.0 million (31 March 2017: HK\$3.0 million) which carry interest rate at 0.001% per annum. The bank deposit was pledged to secure the banking facilities granted to the Group and denominated in HK\$.

Bank balances earn interests at floating rate based on daily bank deposit rates and are placed with creditworthy banks with no recent history of default.

## 16. TRADE PAYABLES AND OTHER PAYABLES

The credit terms granted by the Group's suppliers is 30 days.

	<b>30 September 2017 HK\$'000 (Unaudited)</b>	31 March 2017 HK\$'000 (Audited)
Trade payables	4,439	7,166
Other payables and accruals	2,548	2,715
	<u>6,987</u>	<u>9,881</u>

The following is an ageing analysis of trade payables presented based on the invoice date.

	<b>30 September 2017 HK\$'000 (Unaudited)</b>	31 March 2017 HK\$'000 (Audited)
0-30 days	2,297	4,305
31-60 days	375	384
61-90 days	162	670
91-180 days	421	579
over 180 days	1,184	1,228
	<u>4,439</u>	<u>7,166</u>

## 17. SHARE CAPITAL

Details of the Company's authorised and issued ordinary share capital are as follows:

	<b>Number of ordinary shares</b>	<b>Share capital <i>HK\$'000</i></b>
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
At 31 March 2017 and 30 September 2017	<u>2,000,000,000</u>	<u>20,000</u>
<b>Issued and fully paid:</b>		
At 31 March 2017 and 30 September 2017	<u><u>1,120,000,000</u></u>	<u><u>11,200</u></u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

The Group is a main contractor capable of (i) interior fitting-out and renovation services; and (ii) alteration and addition (“A&A”) works for residential, industrial and commercial properties in Hong Kong.

The fitting-out and renovation services mainly include interior fitting-out and renovation works for shops and offices in commercial and industrial properties and residential premises. For A&A works, the scope of works was generally structural alterations, structural steel, signage works, building maintenance, refurbishment works and ground improvement.

The Group experienced an increase in revenue and net profit for the six months ended 30 September 2017 compared to the same period in 2016. The Directors consider that the increase was mainly due to an increase in the alteration and addition works services projects provided by the Group and the increase in number of contracting projects undertaken by the Group during the period.

Looking forward, the Directors consider that the future opportunities and challenges which the Group faces will be affected by the development of the property market in Hong Kong as well as factors affecting the labour costs and material costs. The Directors are of the view that the number of properties to be built and maintained in Hong Kong is the key driver for the growth of the Hong Kong A&A, interior fitting-out & renovation industry.

With the Group's experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to pursue the following key business strategies.

## **FINANCIAL REVIEW**

### **Revenue**

The revenue increased from approximately HK\$71.0 million for the six months ended 30 September 2016 to approximately HK\$80.1 million for the six months ended 30 September 2017, representing a growth of approximately HK\$9.1 million or 12.8%. Such increase was mainly due to an increase in the alteration and addition works services projects provided by the Group and the increase in number of contracting projects undertaken by the Group during the period.

### **Direct Costs**

The direct costs increased from approximately HK\$56.1 million for the six months ended 30 September 2016 to approximately HK\$65.5 million for the six months ended 30 September 2017, representing an increase of approximately HK\$9.4 million or 16.7%. Such increase was mainly attributable to the increase in subcontracting charges associated with the increase in the number of contracting projects undertaken by the Group during the period.

### **Gross Profit**

Gross profit of the Group decreased by approximately 1.9% from approximately HK\$14.9 million for the six months ended 30 September 2016 to approximately HK\$14.6 million for the six months ended 30 September 2017. Such decrease was mainly driven by the increase in subcontracting charges and other direct costs for the period.

### **Administrative and other Operating Expenses**

Administrative and other operating expenses of the Group decreased by approximately 6.1% from approximately HK\$9.5 million for the six months ended 30 September 2016 to approximately HK\$8.9 million for the six months ended 30 September 2017. Administrative and other operating expenses primarily consist of rental expenses, staff costs and professional fees. The decrease was attributable to the non-recurring listing expenses for the six months ended 30 September 2016 and the increase in rental expenses, staff salary, and bonus due to business expansion for the six months ended 30 September 2017.

### **Finance Costs**

Finance costs of the Group decreased by approximately 13.0% from approximately HK\$0.19 million for the six months ended 30 September 2016 to approximately HK\$0.17 million for the six months ended 30 September 2017. Finance costs consist of interest on bank borrowings and overdrafts and interest on obligations under finance leases. The decrease was mainly due to the decrease in bank loans – secured during the period.

## **Profit for the period**

As a result of the foregoing, the Group's profit for the period increased by approximately HK\$0.9 million, or 25.5%, from approximately HK\$3.4 million for the six months ended 30 September 2016 to approximately HK\$4.2 million for the six months ended 30 September 2017.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2017, the Group had total assets of approximately HK\$116.5 million (31 March 2017: HK\$104.3 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$29.3 million (31 March 2017: HK\$21.3 million) and approximately HK\$87.2 million (31 March 2017: HK\$83.0 million), respectively.

The Group maintained a healthy financial position during the period. As at 30 September 2017, the Group had bank and cash balances of approximately HK\$31.3 million (31 March 2017: approximately HK\$36.3 million). The total interest-bearing borrowings (interest-bearing bank borrowings and bank overdrafts) of the Group as at 30 September 2017 were approximately HK\$13.3 million (31 March 2017: HK\$6.5 million), and current ratio as at 30 September 2017 was approximately 3.9 times (31 March 2017: 4.7 times).

Majority of the Group's borrowings and bank balances are denominated in Hong Kong Dollars and there was no significant exposure to foreign exchange rate fluctuations during the period.

## **BORROWINGS AND GEARING RATIO**

The gearing ratio of the Group as at 30 September 2017 was approximately 15.2% (31 March 2017: approximately 7.8%), which remained low as the Group was not in need of any material debt financing during the period.

The gearing ratio is calculated based on the total loans and borrowings (interest-bearing bank borrowings and bank overdrafts) divided by total equity as at the respective reporting date.

## **TREASURY POLICY**

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

## **CHARGE ON GROUP ASSETS**

As at 30 September 2017, the Group pledged its bank deposits to a bank of approximately HK\$3.0 million (31 March 2017: HK\$3.0 million) as collateral to secure banking facilities granted to the Group.

As at 30 September 2017, the Group pledged its life insurance policies to a bank of approximately HK\$2.8 million (31 March 2017: HK\$2.8 million) to secure the banking facilities granted to the Group.

Save for the above disclosed, the Group did not have any charges on its assets.

## **FOREIGN EXCHANGE EXPOSURE**

All of the revenue-generating operations and borrowings of the Group were transacted in Hong Kong Dollars which is the presentation currency of the Group. The Directors are of the view that there was no significant exposure to foreign exchange rate fluctuations and the Group had not maintained any hedging policy against the foreign currency risk. The management will consider hedging significant currency exposure should the need arise.

## **CAPITAL STRUCTURE**

The shares of the Company (the “**Shares**”) were successfully listed on the GEM of the Stock Exchange on 12 January 2017. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 30 September 2017, the Company’s issued share capital was HK\$11.2 million and the number of its issued ordinary shares was 1,120,000,000 of HK\$0.01 each.

## **COMMITMENTS**

The Group did not have any capital commitment as at 30 September 2017 (31 March 2017: Nil).

## **SEGMENT INFORMATION**

Segmental information is presented for the Group as disclosed on Note 6 to the interim condensed consolidated financial statements.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

The Group does not have any concrete plans for material investments or capital assets as at 30 September 2017.

## **SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

As at 30 September 2017, the Group did not have any significant investments held, material acquisitions or disposals of subsidiaries, associates or joint ventures saved for those related to the corporate reorganisation (as detailed in the Prospectus of the Company dated 30 December 2016 (the “**Prospectus**”)).

## **CONTINGENT LIABILITIES**

Certain customers of construction contracts undertaken by the Group require Ample Construction Company Limited (“**Ample Construction**”), the subsidiary of the Group, to issue guarantees for the performance of contract works in the form of surety bonds of approximately HK\$1.3 million (31 March 2017: HK\$2.8 million) as at 30 September 2017. Ample Construction, Ample Group Limited, a company wholly-owned by Mr. Cheung and Mr. Lam and/or Mr. Cheung and Mr. Lam, have unconditionally and irrevocably agreed to indemnify to the insurance companies that issue such surety bonds for claims and losses the insurance companies may incur in respect of the bonds. The surety bonds will be released when the contracts are completed or substantially completed pursuant to the relevant contracts.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2017, the Group employed a total of 34 employees (31 March 2017: 32). The staff costs, including Directors’ emoluments, of the Group were approximately HK\$ 6.9 million for the six months ended 30 September 2017 (30 September 2016: HK\$ 5.0 million).

The Group promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff, competitive remuneration package is offered to employees (with reference to market norms and individual employees’ performance, qualification and experience). On top of basic salaries, bonuses may be paid with reference to the Group’s performance as well as individual’s performance. Other staff benefits include provision of retirement benefits, medical benefits and sponsorship of training courses. Share options may also be granted to eligible employees by reference to the Group’s performance as well as individual contribution.

## **INTERIM DIVIDEND**

The Directors did not recommend a payment of an interim dividend for the six months ended 30 September 2017.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the date of Listing to 30 September 2017 is set out below:

<b>Business strategies as stated in the Prospectus</b>	<b>Business objectives up to 30 September 2017 as stated in the Prospectus</b>	<b>Actual business progress up to 30 September 2017</b>
Participate further in large scale fitting-out, renovation and A&A projects and enlarge the market share in Hong Kong	<ul style="list-style-type: none"><li>Utilise net proceeds from the Placing to finance the net cash outflows required in the early stage of five new projects with expected aggregate contract sum of not less than approximately HK\$14.5 million, including the upfront payments to the materials suppliers and subcontractors and take out surety bonds if necessary. Some payments are paid upfront before the Group receive progress payment from the Group's clients</li><li>In addition to previous successfully bid projects, the Group intends to submit tenders for project sum exceeding HK\$10 million in the fitting-out, renovation and A&amp;A works industry. The Directors confirm that surety bonds amounting to 10% to 30% are often required by the customers for the contractors to take out to guarantee due performance on projects of this size</li></ul>	<p>The Group has used HK\$8.5 million to finance the net cash outflows required in the early stage of five new projects with expected aggregate contract sum of not less than HK\$25.0 million, including the upfront payments to the materials suppliers and subcontractors.</p> <p>Those projects are still in progress.</p> <p>The Group has used HK\$8.5 million to finance the net cash outflows required in the early stage of five new projects with expected aggregate contract sum of not less than HK\$25.0 million, including the upfront payments to the materials suppliers and subcontractors.</p> <p>Those projects are still in progress.</p>

Business strategies as stated in the Prospectus	Business objectives up to 30 September 2017 as stated in the Prospectus	Actual business progress up to 30 September 2017
Participate in competitions and exhibitions to promote and develop the Group's interior design and fitting-out business	<ul style="list-style-type: none"> <li>Undertake new large-sized projects with aggregate contract sum of not less than HK\$50 million and duration of the projects is expected to last for at least 12 months</li> <li>The Group will participate in three interior design competitions, aiming at winning an award which could bolster the market reputation and demonstrate the Group's strength in interior design</li> <li>Participate in one interior design related public exhibition as an exhibitor</li> <li>Build the interior design and fitting-out mock-up unit in the Group's new office which will be open for public</li> <li>Identify suitable candidates to fill two designer posts and one project manager (interior design) openings</li> </ul>	<p>The Group has used HK\$8.5 million to finance the net cash outflows required in the early stage of five new projects with expected aggregate contract sum of not less than HK\$25.0 million, including the upfront payments to the materials suppliers and subcontractors.</p> <p>Those projects are still in progress,</p> <p>The Group is in the progress of finding the appropriate interior design competition.</p>
Expand manpower for project execution and strengthen the skills of the Group's staff	<ul style="list-style-type: none"> <li>Identify suitable candidates to fill the Group's openings of one project manager and one project coordinator with relevant experience</li> </ul>	<p>The Group is in the progress of finding the appropriate interior design related public exhibition as an exhibitor.</p> <p>The Group has spent HK\$1.5 million as the deposit to build the interior design and fitting-out mock-up unit in the Group's new office which will be open for public.</p> <p>The Group is in the progress of finding suitable candidates to fill two designer posts and one project manager (interior design).</p> <p>The Group has used HK\$0.5 million to employ one experienced project manager and still in the progress of finding one suitable project coordinator with relevant experience.</p>

Business strategies as stated in the Prospectus	Business objectives up to 30 September 2017 as stated in the Prospectus	Actual business progress up to 30 September 2017
Strengthen the Group's business development and quantity surveying and enhance the Group's marketing resources	<ul style="list-style-type: none"> <li>Continue to assess the sufficiency of the labour resources having regard to the Group's project execution need and business development demand</li> </ul>	The Group is in the progress of finding suitable candidates to fulfill the Group's business development demand.
	<ul style="list-style-type: none"> <li>Organise in-house seminars and invite external speakers to provide taught training on construction methodology, project management and work safety in the in-house seminars</li> </ul>	The Group is in the progress of organising the in-house seminars and invite the external speakers to provide taught training on construction methodology, project management and work safety in the in-house seminars.
	<ul style="list-style-type: none"> <li>Renovate the Group's new office to cater to enlarged workforce and prepare for new business opportunities in the residential sector, when the Group's existing office lease is due to expire</li> </ul>	The Group has spent HK\$3.0 million as the deposit to renovate the new office to cater to enlarged workforce and prepare for new business opportunities in the residential sector.
	<ul style="list-style-type: none"> <li>Maintain the business development department which is to be headed by Ms. Wong, the executive Director</li> </ul>	The Group is in the progress of setting up a business development department which is to be headed by Ms. Wong, the executive director.
	<ul style="list-style-type: none"> <li>Form a quantity surveying team which will consist of one quantity survey manager, one quantity surveyor and one project assistant, with sufficient relevant quantity surveying experience, which will assist the Group in preparing tenders, payment applications and controlling project costs</li> </ul>	The Group is in the progress of forming a quantity surveying team.

**Business strategies as stated in the Prospectus**

**Business objectives up to 30 September 2017 as stated in the Prospectus**

**Actual business progress up to 30 September 2017**

- |   |  |
|---|--|
| <ul style="list-style-type: none"><li>• Identify suitable candidates with business development experience and fill one business development position for interior design and fitting-out business</li><br/><li>• Design, create and print the corporate brochures</li><br/><li>• Maintain and improve the Group's corporate website</li></ul> | <p>The Group is in the progress of identifying suitable candidates with business development experience.</p> <p>The Group is in the progress of designing of the corporate brochures.</p> <p>The Group has used HK\$28.0 thousand to set up the new corporate website.</p> |
|---|--|

## USE OF PROCEEDS

The net proceeds from the Listing, after deducting listing related expenses, were approximately HK\$51.2 million. After the Listing, part of the proceeds have been applied for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus.

An analysis of the utilisation of the net proceeds from the Listing as at 30 September 2017 is set out below:

	<b>Planned use of net proceeds as stated in the Prospectus up to 30 September 2017 <i>HK\$'000</i></b>	<b>Actual use of net proceeds up to 30 September 2017 <i>HK\$'000</i></b>
Participate further in large scale fitting-out, renovation and A&A projects and enlarge the Group's market share in HK	8,500	8,500
Participate in competitions and exhibitions to promote and develop the Group's interior design and fitting-out business	2,900	1,500
Expand the Group's manpower for projects execution and strengthen the skills of the Group's staff	5,400	3,463
Strengthen the Group's business development and quantity surveying and enhance the Group's marketing resources	2,800	28
General working capital	<u>5,000</u>	<u>5,000</u>

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

## OTHER INFORMATION

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

As at 30 September 2017, the interests and short positions of the Directors and 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 the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 which they were 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 Rules 5.46 to 5.67 of the GEM Listing Rules, are as follows:

#### Long positions in Shares and underlying Shares

Name	Capacity/Nature of interest	Number of underlying Shares	Approximate percentage of shareholding
Mr. Lam Shui Wah ( <i>Note 1</i> )	Interest in a controlled corporation	420,000,000	37.5%
Ms. Wong Wan Sze ( <i>Note 2</i> )	Interest of spouse	420,000,000	37.5%

#### Notes:

1. Mr. Lam Shui Wah (“**Mr. Lam**”) beneficially owns the entire issued share capital of Summer Unicorn Limited (“**Summer Unicorn**”) which directly holds 37.5% of the Shares. Therefore, Mr. Lam is deemed, or taken to be, interested in all the Shares held by Summer Unicorn for the purpose of the SFO. Mr. Lam is the sole director of Summer Unicorn.
2. Ms. Wong Wan Sze (“**Ms. Wong**”) is the spouse of Mr. Cheung Ka Yan (“**Mr. Cheung**”). Therefore, Ms. Wong is deemed, or taken to be interested in all the Shares in which Mr. Cheung is interested for the purpose of the SFO.

Save as disclosed above, as at 30 September 2017, 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.

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

As at 30 September 2017, 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 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 Shares

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Summer Unicorn	Beneficial owner	420,000,000	37.5%
Heavenly White Limited ( <i>Note 1</i> )	Beneficial owner	420,000,000	37.5%
Mr. Cheung ( <i>Note 1</i> )	Interest in a controlled corporation	420,000,000	37.5%
Ms. Ngai Suet Ling ( <i>Note 2</i> )	Interest of spouse	420,000,000	37.5%

#### Notes:

1. Mr. Cheung beneficially owns the entire issued share capital of Heavenly White Limited (“**Heavenly White**”) which directly holds 37.5% of the Shares. Therefore, Mr. Cheung is deemed, or taken to be, interested in all the Shares held by Heavenly White for the purpose of the SFO. Mr. Cheung is the sole director of Heavenly White.
2. Ms. Ngai Suet Ling is the spouse of Mr. Lam. Therefore, Ms. Ngai Suet Ling is deemed, or taken to be interested in all the Shares in which Mr. Lam is interested for the purpose of the SFO.

Save as disclosed above, as at 30 September 2017, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company, had any interests or a short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's Shares during the six months ended 30 September 2017.

## **COMPETITION AND CONFLICT OF INTERESTS**

None of the Directors, the Controlling Shareholders or substantial shareholders (as defined in the GEM Listing Rules) of the Company or any of its respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, or has or may have any other conflict of interests with Group during the six months ended 30 September 2017.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Group has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors (the “**Required Standard of Dealing**”). Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Required Standard of Dealing during the six months ended 30 September 2017.

## **SHARE OPTION SCHEME**

The Company conditionally adopted a Share Option Scheme on 23 December 2016. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. Further details of the Share Option Scheme are set in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to the Prospectus.

For the six months ended 30 September 2017, 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 (the “**Compliance Adviser**”), save as the compliance adviser agreement entered into between the Company and the Compliance Adviser, none of the Compliance Adviser 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**

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company’s corporate governance practices are based on the principles of good corporate governance as set out in the Corporate Governance Code (the “**CG Code**”) in Appendix 15 to the GEM Listing Rules and in relation to, among others, the Directors, chairman and chief executive officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with the shareholders of the Company.

To the best knowledge of the Board, the Company has complied with the code provisions in the CG Code during the six months ended 30 September 2017 and up to the date of this announcement.

## **UPDATE IN DIRECTORS' PARTICULARS**

An update of information of a Director is as follow:

Ms. Tsang Ngo Yin, an independent non-executive Director, has been appointed as a company secretary of Gold Tat Group International Limited, a company listed on the GEM of the Stock Exchange (Stock Code: 8266) with effect from 1 July 2017.

## **EVENT AFTER THE REPORTING PERIOD**

The principal place of business of the Company in Hong Kong has changed to 21/F, Po Shau Centre, No. 115 How Ming Street, Kwun Tong, Kowloon, Hong Kong. For further details, please refer to the announcement of the Company dated 3 October 2017.

There are no other significant events subsequent to 30 September 2017 which would materially affect the Group's operating and financial performance as of the date of this announcement.

## **AUDIT COMMITTEE**

The Audit Committee was established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 and C.3.7 of CG Code. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Ms. Tsang Ngo Yin. The other members are Mr. Ng Man Wai and Mr. Wu Wai Ki. The written terms of reference of the Audit Committee are posted on the website of the Stock Exchange and on the Company's website.

The primary duties of the Audit Committee are 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 Rule 5.28 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 Audit Committee has reviewed the interim condensed consolidated financial statements and the results for the six months ended 30 September 2017 with the management and is of the view that such results comply with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

By order of the Board  
**LKS Holding Group Limited**  
**Wong Wan Sze**  
*Chairman and Executive Director*

Hong Kong, 3 November 2017

*As at the date of this announcement, the Board comprises Ms. Wong Wan Sze and Mr. Lam Shui Wah as executive Directors; Mr. Ng Man Wai, Mr. Wu Wai Ki and Ms. Tsang Ngo Yin as independent non-executive Directors.*