



THIRD QUARTERLY REPORT 2018

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

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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 LKS Holding Group 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.*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The unaudited condensed consolidated results of the Group for the three months and nine months ended 31 December 2018, together with the unaudited comparative figures for the corresponding periods in 2017, are as follows:

	Note	Three months ended 31 December		Nine months ended 31 December	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	3	59,654	60,398	170,540	140,469
Direct costs		(41,213)	(45,294)	(128,950)	(110,780)
Gross profit		18,441	15,104	41,590	29,689
Other income, other gains and losses, net		3	41	32	125
Administrative and other operating expenses		(9,712)	(3,126)	(21,603)	(12,020)
Finance costs		(47)	(222)	(453)	(389)
Profit before income tax		8,685	11,797	19,566	17,405
Income tax expense	5	(1,830)	(1,916)	(4,430)	(3,300)
Profit and total comprehensive income for the period attributable to owners of the Company		6,855	9,881	15,136	14,105
Earnings per share attributable to the owners of the Company for the period – Basic and diluted (expressed in HK cents per share)	7	0.61	0.88	1.35	1.26

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL 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)**”) were listed on GEM by way of placing (the “**Listing**”) on 12 January 2017.

The addresses of the registered office and the principal place of business of the Company are PO 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. 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 financial information is presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies and methods of computation used in the condensed consolidated financial statements for the nine months ended 31 December 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018, except for the adoption of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, which are mandatorily effective for the Group's financial period beginning on 1 April 2018.

(a) The following new and amended standards have been adopted by the Group for the first time for the financial period beginning on 1 April 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

(b) The following new standards and revisions to standards have been issued, but are not effective and have not been early adopted by the Group:

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ²
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ¹

1 Effective for annual periods beginning on or after 1 January 2019.

2 Effective for annual periods beginning on or after 1 January 2021.

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.

3. REVENUE

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 31 December 2018 HK\$'000 (Unaudited)	Three months ended 31 December 2017 HK\$'000 (Unaudited)	Nine months ended 31 December 2018 HK\$'000 (Unaudited)	Nine months ended 31 December 2017 HK\$'000 (Unaudited)
Revenue				
Fitting-out and renovation services	38,088	53,586	92,861	74,365
Alteration and addition works services	19,670	5,199	71,233	62,340
Interior design services	1,896	1,613	6,446	3,764
Total	59,654	60,398	170,540	140,469

4. PROFIT BEFORE TAX

	Three months ended 31 December 2018	Three months ended 31 December 2017	Nine months ended 31 December 2018	Nine months ended 31 December 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit before tax has been arrived at after charging:				
Auditors' remuneration	167	164	482	464
Depreciation of plant and equipment	295	95	1,170	278
Operating lease payments in respect of rented premises	306	306	918	545
Employee benefits expense:				
Salaries and other benefits	5,147	2,675	13,553	9,418
Contributions to retirement benefit scheme	139	110	411	313
Total employee benefits expense, including directors' emoluments	5,286	2,785	13,964	9,731

5. INCOME TAX EXPENSE

	Three months ended 31 December 2018 HK\$'000 (Unaudited)	Three months ended 31 December 2017 HK\$'000 (Unaudited)	Nine months ended 31 December 2018 HK\$'000 (Unaudited)	Nine months ended 31 December 2017 HK\$'000 (Unaudited)
Current income tax: – Hong Kong Profits Tax	1,830	1,916	4,430	3,300

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

6. DIVIDENDS

The Directors do not recommend the payment of dividend for the nine months ended 31 December 2018 (nine months ended 31 December 2017: Nil).

7. EARNINGS PER SHARE

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings:				
Profit and total comprehensive income for the period attributable to owners of the company for the purpose of basic earnings per share	6,855	9,881	15,136	14,105
	2018	2017	2018	2017
	'000	'000	'000	'000
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,120,000	1,120,000	1,120,000	1,120,000
Basic earnings per share (HK cents per share)	0.61	0.88	1.35	1.26

The weighted average number of ordinary shares for the purpose of basic earnings per share for the three months and nine months ended 31 December 2018 was derived from 1,120,000,000 ordinary shares in issue. (for the three months and nine months ended 31 December 2017: 1,120,000,000 shares)

8. RESERVES

During the nine months ended 31 December 2018, there was no movement in reserves of the Group other than the retained profits of approximately HK\$15,136,000 (for the nine months ended 31 December 2018: HK\$14,105,000).



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a contractor capable of (i) interior fitting-out and renovation services; and (ii) alterations and additions (“A&A”) works for residential, industrial and commercial properties in Hong Kong. The Group has been running its business since 2005 and gained extensive experience and reputation in the industry.

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 work during the period generally comprised 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 nine months ended 31 December 2018 compared to the same period in 2017. The Directors consider that the increase was mainly due to an increase in the fitting-out and renovation services projects provided by the Group during the period.

The Directors are of the view that relocation of business offices and improving living standard will be the key drivers for the growth of the Hong Kong A&A, interior fitting out & renovation industry. The Directors also believe that certain Government policies, such as House Renovation Interest Free Loan launched by the Urban Renewal Authority in 2016, are favourable to the Group and the Group will allocate sufficient resources to capture any opportunities arising therefrom.

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 its key business strategies.

FINANCIAL REVIEW

Revenue

The revenue increased by approximately HK\$30.0 million, or 21.4%, from approximately HK\$140.5 million for the nine months ended 31 December 2017 to approximately HK\$170.5 million for the nine months ended 31 December 2018, which is mainly due to increase in number of contracting projects undertaken by the Group during the period.

Direct costs

The direct costs increased by approximately HK\$18.2 million, or 16.4%, from approximately HK\$110.8 million for the nine months ended 31 December 2017 to approximately HK\$129.0 million for the nine months ended 31 December 2018, which was in line with the rise in revenue during the period.

Gross profit and gross profit margin

Total gross profit of the Group increased by approximately HK\$11.9 million, or 40.1%, from approximately HK\$29.7 million for the nine months ended 31 December 2017 to approximately HK\$41.6 million, for the nine months ended 31 December 2018. Such increase was mainly attributable to increase in revenue as discussed above. The gross profit margin increased from approximately 21.1% for the nine months ended 31 December 2017 to approximately 24.4% for the nine months ended 31 December 2018.

Administrative and other operating expenses

Administrative and other operating expenses of the Group increased by approximately HK\$9.6 million, or 79.7%, from approximately HK\$12.0 million for the nine months ended 31 December 2017 to approximately HK\$21.6 million for the nine months ended 31 December 2018. Such increase was mainly due to an increase of rental expenses for the relocation to new business office and the legal and professional fee in relation to the application for the transfer of listing to Main Board.

Profit for the period

As a result of the foregoing, the Group's profit for the period increased by approximately HK\$1.0 million, or 7.3%, from approximately HK\$14.1 million for the nine months ended 31 December 2017 to approximately HK\$15.1 million for the nine months ended 31 December 2018.

DIVIDEND

The board of Directors (the "Board") does not recommend the payment of dividend for the nine months ended 31 December 2018 (nine months ended 31 December 2017: Nil).

OTHER INFORMATION

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

As at 31 December 2018, 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 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 in 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 (Note 1)	Interest in a controlled corporation	420,000,000	37.5%
Ms. Wong Wan Sze (Note 2)	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 of the Company. 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 31 December 2018, 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 31 December 2018, 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 of the Company 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 (Note 1)	Beneficial owner	420,000,000	37.5%
Mr. Cheung (Note 1)	Interest in a controlled corporation	420,000,000	37.5%
Ms. Ngai Suet Ling (Note 2)	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 of the Company. 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 31 December 2018, none of the substantial or significant shareholders or other persons, 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 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 nine months ended 31 December 2018.

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 any other conflict of interests with the Group during the nine months ended 31 December 2018.

DIRECTORS’ SECURITIES TRANSACTIONS

The Group has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by the Directors during the nine months ended 31 December 2018.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted pursuant to the written resolutions of the Shareholders of the Company passed on 23 December 2016. The purpose of the Share Option Scheme is to enable the Company to grant options to select 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. Further details of the Share Option Scheme are set out in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to the prospectus of the Company dated 30 December 2016.

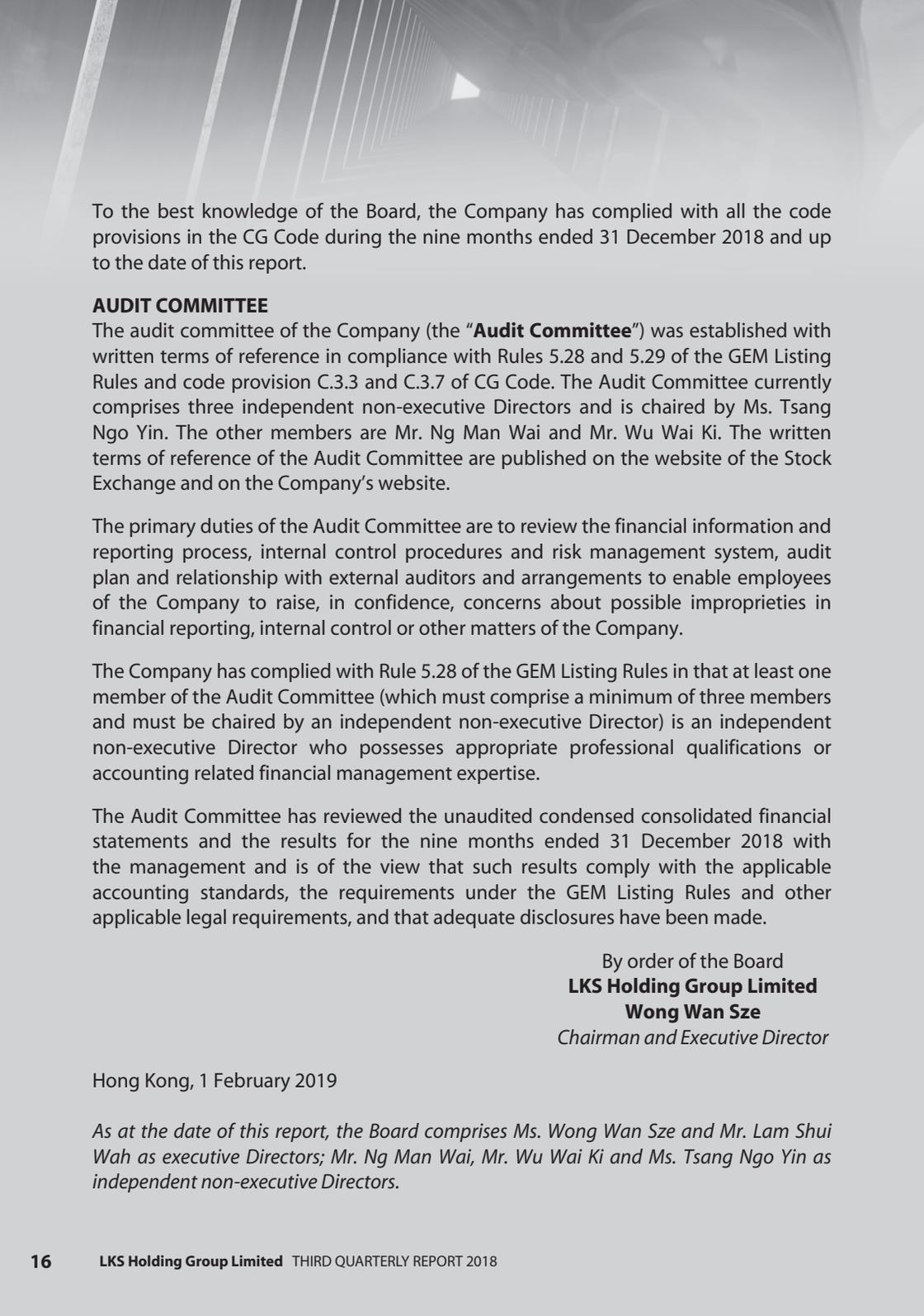
For the nine months ended 31 December 2018, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by the Group’s compliance adviser, Frontpage Capital Limited (the “**Compliance Adviser**”), save for the compliance adviser agreement and the joint sponsors 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 as set out in the Corporate Governance Code (the “**CG Code**”) and Corporate Governance Report 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, the responsibilities and remuneration and communications of the Director with the shareholders of the Company.



To the best knowledge of the Board, the Company has complied with all the code provisions in the CG Code during the nine months ended 31 December 2018 and up to the date of this report.

AUDIT COMMITTEE

The audit committee of the Company (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 published on the website of the Stock Exchange and on the Company’s website.

The primary duties of the Audit Committee are to review the financial information and 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 member 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 unaudited condensed consolidated financial statements and the results for the nine months ended 31 December 2018 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, 1 February 2019

As at the date of this report, 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.