

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

2018

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 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 (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 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 in this report misleading.*

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

The unaudited condensed consolidated results of the Group for the three months ended 30 June 2018, together with the unaudited comparative figures for the corresponding period in 2017, are as follows:

	Note	Three months ended 30 June	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	3	47,616	46,333
Direct costs		(39,073)	(36,787)
Gross profit		8,543	9,546
Other income, other gains and losses, net		14	(137)
Administrative and other operating expenses		(4,719)	(4,321)
Finance costs		(231)	(74)
Profit before tax		3,607	5,014
Income tax expense	5	(595)	(1,040)
Profit and total comprehensive income for the period attributable to owners of the Company		3,012	3,974
Earnings per share attributable to the owners of the Company for the period – Basic and diluted (expressed in HK cents per share)	7	0.27	0.35

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 addresses of the registered office in Cayman Islands is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The address of its principal place of business is 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 shares of the Company (the “**Share(s)**”) were listed on GEM by way of placing (the “**Listing**”) on 12 January 2017 (the “**Listing Date**”).

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 unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with 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 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

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 2018 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, for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the provision of interior fitting-out, renovation, alteration and addition works services and interior design services. Since this is the only operating segment of the Group, no further analysis for segment information is presented.

The Group's revenue from its major services were as follows:

	Three months ended 30 June 2018 HK\$'000 (Unaudited)	Three months ended 30 June 2017 HK\$'000 (Unaudited)
Fitting-out and renovation services	8,097	45,239
Alteration and addition works services	37,782	–
Interior design services	1,737	1,094
	<hr/> 47,616 <hr/>	<hr/> 46,333 <hr/>

4. PROFIT BEFORE TAX

	Three months ended 30 June 2018 HK\$'000 (Unaudited)	Three months ended 30 June 2017 HK\$'000 (Unaudited)
Profit before tax has been arrived at after charging:		
Auditors' remuneration	153	150
Depreciation of plant and equipment	435	89
Impairment loss recognised on trade receivables	738	-
Listing expenses	-	-
Operating lease payments in respect of rented premises	306	120
Employee benefits expense:		
Salaries and other benefits	4,008	1,746
Contributions to retirement benefit scheme	132	18
Total employee benefits expense, including Directors' emoluments	4,140	1,764

5. INCOME TAX EXPENSE

	Three months ended 30 June 2018 HK\$'000 (Unaudited)	Three months ended 30 June 2017 HK\$'000 (Unaudited)
Current income tax:		
– Hong Kong Profits Tax	595	1,040

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit during the three months ended 30 June 2018.

6. DIVIDENDS

The Directors does not recommend the payment of dividend for the three months ended 30 June 2018 (three months ended 30 June 2017: Nil).

7. EARNINGS PER SHARE

	Three months ended 30 June 2018 HK\$'000 (Unaudited)	Three months ended 30 June 2017 HK\$'000 (Unaudited)
Earnings:		
Profit and total comprehensive income for the period attributable to owners of the Company for the purpose of basic earnings per share	3,012	3,974
	2018 '000	2017 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,120,000	1,120,000

The weighted average number of ordinary shares for the purpose of basic earnings per share for the three months ended 30 June 2018 was derived from 1,120,000,000 ordinary shares in issue (for the three months ended 30 June 2017: 1,120,000,000 shares).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The Group’s 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 is generally structural alterations, structural steel, signage works, building maintenance, refurbishment works and ground improvement.

OUTLOOK

The industry in which the Group operates is fragmented with a large number of players and is highly competitive on pricing. Nevertheless, the potential barriers to entry for winning higher value fitting-out services, renovation services and A&A works are industry reputation and relationship with property developers and main contractors. The Directors consider that the listing on GEM has solidified the Group’s reputation and established a platform for the Group to implement its business strategies and sharpen its competitiveness. The Group actively seeks out for different projects and the Directors are optimistic about the business outlook.

FINANCIAL REVIEW

Revenue

The revenue increased by approximately HK\$1.3 million, or 2.8%, from approximately HK\$46.3 million for the three months ended 30 June 2017 to approximately HK\$47.6 million for the three months ended 30 June 2018. Such increase was mainly due to a significant increase in the alterations and additions projects undertaken by the Group and offset by the decrease in revenue generated from fitting out and renovation works for the three months ended 30 June 2018.

Direct costs

The direct costs increased by approximately HK\$2.3 million, or 6.2%, from approximately HK\$36.8 million for the three months ended 30 June 2017 to approximately HK\$39.1 million for the three months ended 30 June 2018, such increase was mainly due to an increase in subcontracting charges for the period.

Gross profit and gross profit margin

The total gross profit decreased by approximately HK\$1.0 million, or 10.5%, from approximately HK\$9.5 million for the three months ended 30 June 2017 to approximately HK\$8.5 million, for the three months ended 30 June 2018. Such decrease was mainly attributable to preliminary expenses incurred in early stage of the projects that are charged to profit or loss. The gross profit margin decreased from 20.6% for the three months ended 30 June 2017 to 17.9% for the three months ended 30 June 2018.

Administrative and other operating expenses

The administrative and other operating expenses increased by approximately HK\$0.4 million, or 9.2%, from approximately HK\$4.3 million for the three months ended 30 June 2017 to approximately HK\$4.7 million for the three months ended 30 June 2018. The increase in administrative and other operating expenses was mainly due to an increase in rental expenses due to relocation of office for the three months ended 30 June 2018.

Profit for the period

As a result of the foregoing, the Group's profit for the period decreased by approximately HK\$1.0 million, or 24.2%, from approximately HK\$4.0 million for the three months ended 30 June 2017 to approximately HK\$3.0 million for the three months ended 30 June 2018.

DIVIDEND

The board of Directors (the “**Board**”) does not recommend the payment of dividend for the three months ended 30 June 2018 (three months ended 30 June 2017: Nil).

OTHER INFORMATION

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

As at 30 June 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 the 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 June 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 THE SHARES AND UNDERLYING SHARES

As at 30 June 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	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. 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 June 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 shares during the three months ended 30 June 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 or may have any other conflict of interests with Group during the three months ended 30 June 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 three months ended 30 June 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 three months ended 30 June 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 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") set out 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 three months ended 30 June 2018 and up to the date of this report.

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 unaudited condensed consolidated financial statements and the results for the three months ended 30 June 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, 2 August 2018

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.