



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

2017

THIRD QUARTERLY REPORT

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.

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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 2017, together with the unaudited comparative figures for the corresponding periods in 2016, are as follows:

	Note	Three months ended 31 December		Nine months ended 31 December	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	60,398	29,783	140,469	100,814
Direct costs		(45,294)	(23,783)	(110,780)	(76,311)
Gross profit		15,104	6,000	29,689	24,503
Other income/(loss)		41	10	125	(559)
Administrative and other operating expenses		(3,126)	(1,660)	(12,020)	(11,414)
Operating profit		12,019	4,350	17,794	12,530
Finance costs		(222)	(231)	(389)	(423)
Profit before income tax		11,797	4,119	17,405	12,107
Income tax expense	5	(1,916)	(728)	(3,300)	(2,790)
Profit and total comprehensive income for the period attributable to owners of the Company		9,881	3,391	14,105	9,317
Earnings per share attributable to the owners of the Company for the period – Basic and diluted (expressed in HK cents per share)	7	0.88	0.40	1.26	1.11

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
Balance at 1 April 2017 (Audited)	11,200	53,085	876	17,818	82,979
Profit and total comprehensive income for the period	-	-	-	14,105	14,105
Balance at 31 December 2017 (Unaudited)	11,200	53,085	876	31,923	97,084
Balance at 1 April 2016 (Audited)	2	-	874	22,608	23,484
Profit and total comprehensive income for the period	-	-	-	9,317	9,317
Dividend declared and paid (Note 6)	-	-	-	(18,000)	(18,000)
Reorganisation (Note a)	(2)	-	2	-	-
Balance at 31 December 2016 (Unaudited)	-	-	876	13,925	14,801

Note a: Thrive Tide Limited ("**Thrive Tide**") was incorporated in the BVI with limited liability on 4 January 2016. On 14 January 2016, 50 and 50 fully-paid shares of Thrive Tide were allotted and issued to Heavenly White Limited ("**Heavenly White**") and Summer Unicorn Limited ("**Summer Unicorn**"), respectively. Heavenly White and Summer Unicorn are wholly-owned by Mr. Cheung Ka Yan ("**Mr. Cheung**") and Mr. Lam Shui Wah ("**Mr. Lam**"), respectively.

As part of the corporate reorganisation arrangement ("**Reorganisation**"), on 29 March 2016, Thrive Tide allotted and issued 50 and 50 shares to Heavenly White and Summer Unicorn, respectively, in consideration of the transfer of the entire issued share capital of Ample Construction Company Limited.

On 20 December 2016, Heavenly White and Summer Unicorn transferred the entire issued share capital of Thrive Tide to the Company, in consideration of which the Company allotted and issued 9,999 and 9,999 Shares to Heavenly White and Summer Unicorn, respectively.

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. Throughout the period, the group entities were collectively controlled by Mr. Cheung and Mr. Lam (collectively referred to as the “**Controlling Shareholders**”). Accordingly, for the purpose of the preparation of the Financial Information of the Group, the Company has been considered as the holding company of the Group. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the common control of the Controlling Shareholders prior to and after the Reorganisation.

The Financial Information has been prepared as if the Company had been the holding company of the Group throughout the nine months ended 31 December 2017 in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statements of changes in equity for the period, which include the results and changes in equity of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the nine months ended 31 December 2017.

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION (Continued)

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 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) Adoption of improvements, new and amendments to HKFRSs

In the current period, the Group has applied, for the first time, the following amendments to HKFRSs issued by HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

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

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 HKFRSs and interpretations (the “new and revised HKFRSs”) which are not yet effective:

Annual Improvements Project – HKFRS 1 and HKAS 28	Annual Improvements 2014 – 2016 Cycle (amendments) ¹
HKFRS 2	Classification and Measurements of Share-based Payment Transactions (amendments) ¹
HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts (amendments) ¹
HKFRS 9	Financial Instruments (new standard) ¹
HKFRS 15	Revenue from Contracts with Customers (new standard) ¹
HKFRS 15	Clarifications to HKFRS 15 (amendments) ¹
HKAS 40	Transfers of Investment Property (amendments) ¹
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration (new interpretation) ¹
HKFRS 9	Prepayment Features with Negative Compensation (amendments) ²
HKFRS 16	Leases (new standard) ²
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments (new interpretation) ²
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments) ³

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.

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 31 December 2017 HK\$'000 (Unaudited)	Three months ended 31 December 2016 HK\$'000 (Unaudited)	Nine months ended 31 December 2017 HK\$'000 (Unaudited)	Nine months ended 31 December 2016 HK\$'000 (Unaudited)
Fitting-out and renovation services	53,586	18,283	74,365	53,342
Alteration and addition works services	5,199	10,206	62,340	40,165
Interior design services	1,613	1,294	3,764	7,307
	60,398	29,783	140,469	100,814

4. PROFIT BEFORE TAX

	Three months ended 31 December 2017 HK\$'000 (Unaudited)	Three months ended 31 December 2016 HK\$'000 (Unaudited)	Nine months ended 31 December 2017 HK\$'000 (Unaudited)	Nine months ended 31 December 2016 HK\$'000 (Unaudited)
Profit before tax has been arrived at after charging/(crediting):				
Auditors' remuneration	164	200	464	450
Depreciation of plant and equipment	95	88	278	260
Listing expenses	-	334	-	4,538
Net foreign exchange losses	-	1	-	4
Operating lease payments in respect of rented premises	306	119	545	359
Employee benefits expense:				
Salaries and other benefits	2,684	2,665	8,103	7,675
Contributions to retirement benefit scheme	10	27	53	69
Total employee benefits expense, including Directors' emoluments	2,694	2,692	8,156	7,744

5. INCOME TAX EXPENSE

	Three months ended 31 December 2017 HK\$'000 (Unaudited)	Three months ended 31 December 2016 HK\$'000 (Unaudited)	Nine months ended 31 December 2017 HK\$'000 (Unaudited)	Nine months ended 31 December 2016 HK\$'000 (Unaudited)
Current income tax: – Hong Kong Profits Tax	1,916	728	3,300	2,790

6. DIVIDENDS

The Directors does not recommend the payment of dividend for the nine months ended 31 December 2017 (nine months ended 31 December 2016: HK\$18.0 million).

7. EARNINGS PER SHARE

	Three months ended 31 December		Nine months ended 31 December	
	2017	2016	2017	2016
	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	9,881	3,391	14,105	9,317
	2017	2016	2017	2016
	'000	'000	'000	'000
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,120,000	840,000	1,120,000	840,000
Basic earnings per share (HK cents per share)	0.88	0.40	1.26	1.11

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 2017 was derived from 1,120,000,000 ordinary shares in issue.

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 2016 was derived from 840,000,000 ordinary shares (comprising 20,000 ordinary shares in issue and 839,980,000 ordinary shares to be issued under the capitalisation issue), as if these 840,000,000 ordinary shares were outstanding throughout the period.

The diluted earnings per share is equal to the basic earnings per share as there is no dilutive potential ordinary share in issue during the nine months ended 31 December 2016 and 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a main 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 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 during the period was 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 price. Nevertheless, as potential barriers to entry in the industry for higher value fitting-out, renovation works and A&A works projects are industry reputation and relationship with both the property developers and main contractors. The Directors consider the established track record of the Group coupled with the listing status will strengthen the Group’s competitiveness and enhance its reputation. The Directors are optimistic about the Group’s business outlook.

FINANCIAL REVIEW

Revenue

The revenue increased by approximately HK\$39.7 million, or 39.3%, from approximately HK\$100.8 million for the nine months ended 31 December 2016 to approximately HK\$140.5 million for the nine months ended 31 December 2017. Such increase was mainly due to the increase in A&A works and interior fitting-out and renovation services provided by the Group and increase in number of contracting projects undertaken by the Group during the period.

Direct costs

The direct costs increased by approximately HK\$34.5 million, or 45.2%, from approximately HK\$76.3 million for the nine months ended 31 December 2016 to approximately HK\$110.8 million for the nine months ended 31 December 2017, 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\$5.2 million, or 21.2%, from approximately HK\$24.5 million for the nine months ended 31 December 2016 to approximately HK\$29.7 million, for the nine months ended 31 December 2017. Such increase was mainly attributable to different projects' profit margin which the Group charged to different clients. The gross profit margin decreased from approximately 24.3% for the nine months ended 31 December 2016 to approximately 21.1% for the nine months ended 31 December 2017.

Administrative and other operating expenses

Administrative and other operating expenses of the Group increased by approximately HK\$0.6 million, or 5.3%, from approximately HK\$11.4 million for the nine months ended 31 December 2016 to approximately HK\$12.0 million for the nine months ended 31 December 2017. Administrative and other operating expenses primarily consist of rental expenses, staff costs and professional fees. Such increase was mainly due to an increase of rental expenses for the new business office.

Profit for the period

As a result of the foregoing, the Group's profit for the period increased by approximately HK\$4.8 million, or 51.4%, from approximately HK\$9.3 million for the nine months ended 31 December 2016 to approximately HK\$14.1 million for the nine months ended 31 December 2017.

DIVIDEND

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

OTHER INFORMATION

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

As at 31 December 2017, 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 (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 beneficially owns the entire issued share capital of 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. 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 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 31 December 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 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 (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 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 2017, 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 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 any other conflict of interests with the Group during the nine months ended 31 December 2017.

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 2017.

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 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**”) 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, 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 nine months ended 31 December 2017 and up to the date of this report.

AUDIT COMMITTEE

The Audit Committee was established on 23 December 2016 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 nine months ended 31 December 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, 5 February 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.