

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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: 1867)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

FINAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of LKS Holding Group Limited (the “**Company**”) hereby announces the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2020, together with the comparative figures for the year ended 31 March 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	4	295,885	251,386
Direct costs		<u>(267,811)</u>	<u>(198,102)</u>
Gross profit		28,074	53,284
Other income, other gains and losses, net	5	228	212
Impairment losses under expected credit loss model, net of reversal	6	(6,920)	(12,095)
Administrative and other operating expenses		(17,524)	(19,784)
Finance costs	7	<u>(1,200)</u>	<u>(685)</u>
Profit before tax	9	2,658	20,932
Income tax expense	8	<u>(1,615)</u>	<u>(4,803)</u>
Profit and total comprehensive income for the year		<u>1,043</u>	<u>16,129</u>
Earnings per share			
– Basic and diluted (HK cents)	11	<u>0.09</u>	<u>1.44</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Non-current assets			
Plant and equipment		1,711	3,463
Right-of-use asset	<i>12</i>	373	–
Deposits and prepayments for life insurance policies		3,044	2,996
Deferred tax assets		492	2,151
		<hr/> 5,620	<hr/> 8,610
Current assets			
Trade and other receivables	<i>13</i>	68,439	84,394
Contract assets		43,167	28,312
Amounts due from related parties		785	765
Financial assets at fair value through profit or loss		12	15
Tax recoverable		1,159	25
Bank balances and cash		39,982	31,637
		<hr/> 153,544	<hr/> 145,148
Current liabilities			
Trade and other payables	<i>14</i>	9,334	13,013
Borrowings		32,726	24,198
Lease liability		405	–
Tax liabilities		–	891
		<hr/> 42,465	<hr/> 38,102
Net current assets		<hr/> 111,079	<hr/> 107,046
Total assets less current liabilities		<hr/> 116,699	<hr/> 115,656

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Net assets		116,699	115,656
Capital and reserves			
Share capital		11,200	11,200
Reserves		105,499	104,456
Total equity		116,699	115,656

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	<u>Attributable to owners of the Company</u>				Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Retained profits HK\$'000	
At 1 April 2018	11,200	53,085	876	34,366	99,527
Profit and total comprehensive income for the year	—	—	—	16,129	16,129
At 31 March 2019	11,200	53,085	876	50,495	115,656
Profit and total comprehensive income for the year	—	—	—	1,043	1,043
At 31 March 2020	11,200	53,085	876	51,538	116,699

Notes:

1. GENERAL INFORMATION

LKS Holding Group Limited (the “**Company**”) was incorporated in the Cayman Islands on 11 February 2016 as an exempted company with limited liability. The shares of the Company were successfully listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 12 January 2017.

The Company’s shares are currently listed on the Main Board of the Stock Exchange. Dealings in the shares on the Main Board commenced on 9 May 2019 pursuant to the approval granted by the Stock Exchange for the transfer of listing of the shares from the GEM to the Main Board of the Stock Exchange.

The addresses of the registered office and the principal place of business of the Company are Clifton House, 75 Fort Street, PO Box 1350, 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 Company and its subsidiaries (collectively referred to as the “**Group**”) is principally engaged in the provision of interior fitting-out, renovation, alteration and addition works services and interior design services.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Interpretation (“ Int ”) 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to Hong Kong Accounting Standard (“ HKAS ”) 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* (“**HKAS 17**”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 3.63%.

**At 1 April
2019**
HK\$'000

Operating lease commitments disclosed as at 31 March 2019 1,531

Lease liabilities as at 1 April 2019, discounted at relevant incremental borrowing rates 1,491

Analysed as:

Current 1,086

Non-current 405

1,491

The carrying amount of right-of-use asset for own use as at 1 April 2019 comprises the following:

**Right-of-use
asset**
HK\$'000

Right-of-use asset relating to operating leases recognised upon application of HKFRS 16 1,491

The transition to HKFRS 16 has no impact on the retained profits at 1 April 2019.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 31 March 2019	Adjustments	Carrying amount under HKFRS 16 at 1 April 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Right-of-use asset	–	1,491	1,491
Current liabilities			
Lease liabilities	–	1,086	1,086
Non-current liabilities			
Lease liabilities	<u>–</u>	<u>405</u>	<u>405</u>

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
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 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴
Amendments to HKFRS 16	COVID-19 Related Rent Concession ⁵

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

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company (the “**Directors**”) anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and
- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the “New Framework”) and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;

- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies.

4. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker (the “CODM”), for the purpose of resources allocation and performance assessment. During the year, the CODM assess 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 Directors consider that the Group only has one operating segment.

The CODM reviews the overall results and financial position of the Group as a whole based on the same accounting policies of the Group and no further analysis for segment information is presented.

Disaggregation of revenue from contracts with customers

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Types of goods and services:		
Fitting-out and renovation services	148,055	112,446
Alteration and addition works services	145,724	131,055
Interior design services	<u>2,106</u>	<u>7,885</u>
	<u>295,885</u>	<u>251,386</u>
Timing of revenue recognition:		
Over-time	<u>295,885</u>	<u>251,386</u>

Geographical information

The Group's major operations located in Hong Kong. All the Group's revenue from external customers during the years ended 31 March 2020 and 2019 were derived from Hong Kong, the place of domicile of the Group's operating subsidiaries. All the non-current assets of the Group are located in Hong Kong. Accordingly, no geographical information is presented.

Information about major customers

Revenue from customers contributing over 10% of the Group's total revenue are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	38,904	40,068
Customer B	N/A ¹	25,326
Customer C	35,215	N/A ¹
	<u>38,904</u>	<u>40,068</u>

¹ The corresponding revenue did not contribute over 10% of the Group's total revenue.

5. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other income		
Bank interest income	14	7
Compensation income	50	69
Interest income on deposits and prepayments for life insurance policies	48	83
Sundry income	119	55
	<u>231</u>	<u>214</u>
Other gains and losses, net		
Loss from change in fair value of financial assets at fair value through profit or loss	(3)	(2)
	<u>228</u>	<u>212</u>

6. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Impairment losses recognised on:		
– trade receivables	2,622	3,751
– unbilled revenue	1,274	6,502
– retention receivables	2,607	1,842
– other receivables	417	–
	<u>6,920</u>	<u>12,095</u>

7. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interests on:		
– lease liability	37	–
– bank borrowings and overdrafts	1,163	685
	<u>1,200</u>	<u>685</u>

8. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong Profits Tax:		
– Current income tax	1,914	7,100
– (Over) under-provision in prior years	(1,958)	6
	(44)	7,106
Deferred tax	1,659	(2,303)
Total income tax expense recognised in profit or loss	<u>1,615</u>	<u>4,803</u>

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\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2,000,000.

9. PROFIT BEFORE TAX

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>

Profit before tax has been arrived at after charging:

Auditors' remuneration	720	1,000
Depreciation of plant and equipment	1,777	1,761
Depreciation of right-of-use asset	1,118	–
Operating lease payments in respect of rented premises	–	1,224

Employee benefits expense:

Salaries and other benefits	22,307	20,739
Contributions to retirement benefit scheme	757	573

Total employee benefits expense, including directors' emoluments	<u>23,064</u>	<u>21,312</u>
--	---------------	---------------

During the year ended 31 March 2020, total employee benefits expense amounting to approximately HK\$16,744,000 (2019: approximately HK\$13,592,000) was included in direct costs and amounting to approximately HK\$6,320,000 (2019: approximately HK\$7,720,000) was included in administrative and other operating expenses.

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

11. EARNINGS PER SHARE

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>

Earnings

Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>1,043</u>	<u>16,129</u>
--	--------------	---------------

	2020	2019
	<i>'000</i>	<i>'000</i>

Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,120,000</u>	<u>1,120,000</u>
---	------------------	------------------

The diluted earnings per share is equal to the basic earnings per share as there is no potential ordinary share in issue during the years ended 31 March 2020 and 2019.

12. RIGHT-OF-USE ASSET

	Leased property HK\$'000
As at 31 March 2020	
Carrying amount	<u>373</u>
As at 1 April 2019	
Carrying amount	<u>1,491</u>
For the year ended 31 March 2020	
Depreciation charge	<u>1,118</u>
Total cash outflow for leases	<u><u>1,122</u></u>

For both years, the Group lease office premise for its operation. Lease contract is entered into for fixed term of 3 years. Lease terms are negotiated on an individual basis. In determining the lease term and assessing the length of the non-cancelled period, the Group applied the definition of a contract and determines the period for which the contract is enforceable.

13. TRADE AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables	64,471	80,173
Less: Allowance for credit losses	<u>(11,516)</u>	<u>(8,894)</u>
	52,955	71,279
Other receivables, prepayments and deposits	15,901	13,115
Less: Allowance for credit losses	<u>(417)</u>	<u>–</u>
	<u>68,439</u>	<u>84,394</u>

The Group generally allows a credit period of 30 days to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The ageing analysis of trade receivables, presented based on the invoice date, at the end of the reporting period, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0-30 days	19,994	50,801
31-60 days	567	9,569
61-90 days	5,102	1,666
91-180 days	21,236	7,065
Over 180 days	17,572	11,072
	64,471	80,173
Less: Allowance for credit losses	(11,516)	(8,894)
	52,955	71,279

14. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	4,998	9,085
Other payables and accruals	4,336	3,928
	9,334	13,013

The credit period on trade payables are generally 0 to 30 days.

The ageing analysis of trade payables, presented based on the invoice date, at the end of the reporting period, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0-30 days	4,341	3,690
31-60 days	165	224
61-90 days	27	637
91-180 days	436	2,077
Over 180 days	29	2,457
	4,998	9,085

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a 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 Group has been running its business since 2005 and gained extensive experience and reputation in the industry. Ample Construction Company Limited (“**Ample Construction**”), the Company’s principal operating subsidiary for the contracting businesses, has been registered as the Registered General Building Contractor under the Building Authority since 2006 and is approved to carry out A&A works, including general building works and street works under the Buildings Ordinance. Ample Design Company Limited, the design department of the Group, provides interior design services to clients.

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 generally includes structural alterations, structural steel, signage works, building maintenance, refurbishment works and ground improvement.

The Group experienced a decrease in net profit for the year ended 31 March 2020 compared to the corresponding period last year. Such decrease was mainly attributable to (i) the decrease in gross profit margin as a result of the adoption of a more competitive pricing strategy in response to the intense market competition under the sluggish economy in Hong Kong; (ii) the delays in progress as a result of the outbreak of novel coronavirus (“**COVID-19**”) epidemic; (iii) the substantial upfront costs incurred in the early stage for certain projects; and (iv) the cost overrun of certain projects.

Looking forward, it is expected that the coming year will be a challenging year under the recent outbreak of COVID-19 as it have already affected the economy as well as the various industry in Hong Kong. Under the outbreak of COVID-19 epidemic, many fitting-out and A&A works were forced to halt. The epidemic made workers at the same site or unit work separately to prevent from getting infected or spreading the virus, which in turn has slowed down the work progress. While the industry was hard hit by the outbreak of COVID-19, contractors have adopted a more competitive project pricing strategy in tendering for projects and bare higher operating costs due to the project delays. In view of such business environment, the Group will remain cautious about the volatile and challenging economic development of Hong Kong in next year.

FINANCIAL REVIEW

Revenue

Revenue increased by approximately HK\$44.5 million or 17.7% from approximately HK\$251.4 million for the year ended 31 March 2019 to approximately HK\$295.9 million for the year ended 31 March 2020. Such increase was driven by the increase in number of sizeable projects undertaken during the year.

Direct Costs

Direct costs increased from approximately HK\$198.1 million for the year ended 31 March 2019 to approximately HK\$267.8 million for the year ended 31 March 2020, representing an increase of approximately HK\$69.7 million or 35.2%. Such increase was mainly due to the increase in project costs incurred for undertaking the contracting projects during the year.

Gross Profit

Gross profit of the Group decreased by approximately 47.3% from approximately HK\$53.3 million for the year ended 31 March 2019 to approximately HK\$28.1 million for the year ended 31 March 2020. Such decrease was mainly due to (i) the decrease in gross profit margin as a result of the adoption of a more competitive pricing strategy in response to the intense market competition under the sluggish economy in Hong Kong; (ii) the delays in progress as a result of the outbreak of COVID-19; (iii) the substantial upfront costs incurred in the early stage for certain projects; and (iv) the cost overrun of certain projects.

Impairment losses under expected credit loss model, net of reversal

The Group's impairment loss, net of reversal represents a provision for impairment loss allowance of trade and other receivables and contract assets. The Group's impairment loss under expected credit loss model, net of reversal decreased from approximately HK\$12.1 million for the year ended 31 March 2019 to approximately HK\$6.9 million for the year ended 31 March 2020 mainly as a result of the decrease in allowance of credit loss made on contract assets during the year.

Administrative and Other Operating Expenses

Administrative and other operating expenses of the Group decreased by approximately 11.6% from approximately HK\$19.8 million for the year ended 31 March 2019 to approximately HK\$17.5 million for the year ended 31 March 2020. Administrative and other operating expenses primarily consist of rental expenses, staff costs and professional fees. The administrative and other operating expense for the year ended 31 March 2019 was relatively higher as the Group has incurred the professional fees in relation to the transfer of listing from GEM to the Main Board of the Stock Exchange during the year ended 31 March 2019.

Finance Costs

Finance costs of the Group increased by approximately HK\$0.5 million from approximately HK\$0.7 million for the year ended 31 March 2019 to HK\$1.2 million for the year ended 31 March 2020. Finance costs for the years ended 31 March 2020 and 2019 mainly consisted of interest on bank borrowings and overdrafts. Such increase was mainly due to an increase in bank borrowings.

Income Tax Expense

Income tax expense for the Group decreased by approximately 66.7% from approximately HK\$4.8 million for the year ended 31 March 2019 to approximately HK\$1.6 million for the year ended 31 March 2020, which was mainly due to the decrease in the Group's profit during the year.

Profit and Total Comprehensive Income for the year attributable to owners of the Company

As a result of foregoing, profit and total comprehensive income for the year attributable to owners of the Company decreased by approximately 93.8% from approximately HK\$16.1 million for the year ended 31 March 2019 to approximately HK\$1.0 million for the year ended 31 March 2020.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 March 2020, the Group had total assets of approximately HK\$159.2 million (2019: approximately HK\$153.8 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$42.5 million (2019: approximately HK\$38.1 million) and approximately HK\$116.7 million (2019: approximately HK\$115.7 million), respectively.

The total interest-bearing borrowings of the Group at 31 March 2020 were approximately HK\$32.7 million (2019: approximately HK\$24.2 million), and current ratio at 31 March 2020 was approximately 3.6 times (2019: 3.8 times).

The bank balances of the Group at 31 March 2020 was approximately HK\$40.0 million (2019: approximately HK\$31.6 million).

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 year.

GEARING RATIO

The gearing ratio of the Group at 31 March 2020 was approximately 28.4% (2019: approximately 20.9%), which was relatively stable as compared with that of last financial year.

The gearing ratio is calculated based on the total borrowings and lease liability divided by total equity 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 throughout the year. 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

At 31 March 2020, the Group pledged bank deposits amounted to approximately HK\$6.0 million to a bank as collateral to secure banking facilities granted to the Group (2019: Nil).

At 31 March 2020, the Group pledged its life insurance policies to a bank of approximately HK\$3.0 million to secure the banking facilities granted to the Group (2019: approximately HK\$3.0 million).

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 are transacted in Hong Kong Dollars. For the year ended 31 March 2020, there was no significant exposure to foreign exchange rate fluctuations and the Group had not maintained any hedging policy against the foreign exchange risk. The management will consider suitable hedging instruments against significant currency exposure should the need arises.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on GEM of the Stock Exchange on 12 January 2017 (the “**Listing Date**”).

The Company successfully transferred the listing of its shares from GEM to the Main Board of the Stock Exchange on 9 May 2019. There has been no change in the capital structure of the Company since the Listing Date and up to date of this announcement. The capital of the Company only comprises of ordinary shares.

CAPITAL COMMITMENTS

The Group did not have any capital commitment as at 31 March 2020 (2019: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND ACQUISITION OF CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 30 December 2016 (the “**Prospectus**”) and in this announcement, the Group did not have other plans for material investments or acquisition of capital assets as of 31 March 2020.

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

During the year ended 31 March 2020, the Group did not have any significant investments held, nor did the Group have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

CONTINGENT LIABILITIES

Certain customers of construction contracts undertaken by the Group require Ample Construction to issue guarantees for the performance of contract works in the form of surety bonds of approximately HK\$9,260,000 (2019: approximately HK\$10,446,000) at 31 March 2020. The Company and Ample Construction have unconditionally and irrevocably agreed to indemnify the insurance company that issued such surety bonds for claims and losses the insurance company may incur in respect of the surety bonds. The surety bonds will be released when the contracts are completed or substantially completed pursuant to the relevant contract. As at 31 March 2020, the Group paid a cash collateral of approximately HK\$2,081,000 (2019: approximately HK\$2,235,000) to an insurance company for the issuance of surety bonds which are included in other receivables, prepayments and deposits.

USE OF PROCEEDS

The net proceeds from the listing, after deducting listing related expenses, were approximately HK\$51.2 million. After the listing, a part of these 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 to 31 March 2020 is set out below:

	Planned use of net proceeds as stated in the Prospectus up to 31 March 2020 HK\$'000	Actual use of net proceeds up to 31 March 2020 HK\$'000	Unutilised net proceeds up to 31 March 2020 HK\$'000
Participate further in large scale fitting-out, renovation and A&A projects and enlarge the Group's market share in HK	18,022	18,022	–
Participate in competitions and exhibitions to promote and develop the Group's interior design and fitting-out business	8,704	3,910	4,794
Expand the Group's manpower for projects execution and strengthen the skills of the Group's staff	9,933	9,933	–
Strengthen the Group's business development and quantity surveying and enhance the Group's marketing resources	9,421	6,378	3,043
General working capital	5,120	5,120	–
Total	<u>51,200</u>	<u>43,363</u>	<u>7,837</u>

As at 31 March 2020, the actual use of proceeds was less than the estimated net proceeds but had been applied in the same manner as specified in the section headed “Business Objective and Use of Proceeds” of the Prospectus. The net proceeds of approximately HK\$7.8 million had not yet been utilised as at 31 March 2020 and was deposited into licensed banks in Hong Kong. Such amounts is expected to be utilised by 31 March 2021. The Group will continue to apply the proceeds from its listing on GEM in accordance with the proceeds allocation set out in the Prospectus.

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 whereas the proceeds were applied based on the actual development of the Group’s business and the industry.

EMPLOYEES AND REMUNERATION POLICIES

At 31 March 2020, the Group employed a total of 49 employees (2019: 53 employees). The staff costs, including Directors’ emoluments, of the Group were approximately HK\$23.1 million for the year ended 31 March 2020 (2019: approximately HK\$21.3 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 employees’ 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 employees’ contribution.

EVENT AFTER THE REPORTING PERIOD

On 27 April 2020, HLB Hodgson Impey Cheng Limited resigned and Asian Alliance (HK) CPA Limited was appointed as the auditor of the Group. Details of the change of auditor were set out in the announcement of the Company dated 27 April 2020.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2020 are set out in the consolidated statement of profit or loss and other comprehensive income in this announcement. The state of affairs of the Group as at 31 March 2020 are set out in the consolidated statement of financial position in this announcement. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2020.

CORPORATE GOVERNANCE PRACTICE

The Company acknowledge the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving a high standard of corporate governance that can protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company. Accordingly, the Company has adopted sound corporate governance principles that emphasise a quality Board, effective internal control, stringent disclosure practices, transparency and accountability to all stakeholders.

The Company has applied the principles and code provisions in Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). In the opinion of the Board, the Company has complied with the CG Code throughout the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) as the code of conduct regarding securities transactions by Directors. After making specific enquiries, all Directors have fully complied with the required standards set out in the Model Code and there was no event of non-compliance throughout the year.

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 year ended 31 March 2020.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprising three independent non-executive Directors was established on 23 December 2016. The chairman of the Audit Committee is Ms. Tsang Ngo Yin, the independent non-executive Director, and other members included Mr. Ng Man Wai and Mr. Wu Wai Ki, the independent non-executive Directors. 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 Company has complied with Rule 3.21 of the 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 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.

During the year, the Audit Committee held two meetings to review and comment on the Company's 2019 annual results, 2019 interim results as well as the Company's internal control procedures and risk management system.

The Group's consolidated financial statements for the year ended 31 March 2020 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2020 comply with applicable accounting standards, Listing Rules and that adequate disclosures have been made.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 March 2020 as set out in this preliminary announcement have been agreed by the Group's auditors, Asian Alliance (HK) CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Asian Alliance (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Asian Alliance (HK) CPA Limited on this preliminary announcement.

APPRECIATION

The Company would like to thank the Group's customers, suppliers, business partners for their support. The Company would also like to offer the highest gratitude to its shareholders for their devotion and to the Group's employees for their loyalty and contributions made during the year.

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

Hong Kong, 26 June 2020

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