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LKS HOLDING GROUP LIMITED

樂嘉思控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8415)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) of LKS Holding Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

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

For the three months and six months ended 30 September 2018

UNAUDITED INTERIM RESULTS

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

	Notes	Three months ended 30 September		Six months ended 30 September	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	6	63,270	33,739	110,886	80,071
Direct costs		<u>(48,664)</u>	<u>(28,700)</u>	<u>(87,737)</u>	<u>(65,486)</u>
Gross profit		14,606	5,039	23,149	14,585
Other income, other gains and losses, net	7	15	220	29	84
Administrative and other operating expenses		<u>(7,172)</u>	<u>(4,573)</u>	<u>(11,891)</u>	<u>(8,894)</u>
Finance costs	8	<u>(175)</u>	<u>(92)</u>	<u>(406)</u>	<u>(167)</u>
Profit before tax	9	7,274	594	10,881	5,608
Income tax expense	10	<u>(2,005)</u>	<u>(344)</u>	<u>(2,600)</u>	<u>(1,384)</u>
Profit and total comprehensive income for the period attributable to the owners of the Company		<u>5,269</u>	<u>250</u>	<u>8,281</u>	<u>4,224</u>
Basic and diluted earnings per share (HK cents)	12	<u>0.47</u>	<u>0.02</u>	<u>0.74</u>	<u>0.38</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	<i>Notes</i>	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Non-current assets			
Plant and equipment	13	4,300	4,977
Deposits and prepayments for life insurance policies		2,742	2,913
Deferred tax assets		1,167	–
		<u>8,209</u>	<u>7,890</u>
Current assets			
Trade and other receivables	14	33,440	61,323
Amounts due from customers for contract work		–	36,939
Contract assets		48,567	–
Amounts due from related parties		750	730
Held-for-trade investments		13	17
Bank balances and cash		40,604	43,104
		<u>123,374</u>	<u>142,113</u>
Total assets		<u>131,583</u>	<u>150,003</u>
Current liabilities			
Trade and other payables	15	8,666	15,333
Amounts due to customers for contract work		–	4,499
Bank borrowings		12,274	24,332
Current tax liabilities		3,368	768
		<u>24,308</u>	<u>44,932</u>
Net current assets		<u>99,066</u>	<u>97,181</u>
Total assets less current liabilities		<u>107,275</u>	<u>105,071</u>
Non-current liabilities			
Deferred tax liabilities		152	152
Net assets		<u>107,123</u>	<u>104,919</u>
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	16	11,200	11,200
Reserves		95,923	93,719
Total equity		<u>107,123</u>	<u>104,919</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	<u>Attributable to owners of the Company</u>				Total <i>HK\$'000</i>
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	
At 31 March 2018 (Audited)	11,200	53,085	876	39,758	104,919
Effect arising from initial application of HKFRS 9	–	–	–	(171)	(171)
Effect arising from initial application of HKFRS 15	–	–	–	(5,906)	(5,906)
Adjusted balance at 1 April 2018	11,200	53,085	876	33,681	98,842
Profit and total comprehensive income for the period	–	–	–	8,281	8,281
At 30 September 2018 (Unaudited)	<u>11,200</u>	<u>53,085</u>	<u>876</u>	<u>41,962</u>	<u>107,123</u>
At 1 April 2017 (Audited)	11,200	53,085	876	17,818	82,979
Profit and total comprehensive income for the period	–	–	–	4,224	4,224
At 30 September 2017 (Unaudited)	<u>11,200</u>	<u>53,085</u>	<u>876</u>	<u>22,042</u>	<u>87,203</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 September 2018*

	Six months ended	
	30 September	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
NET CASH GENERATED FROM/(USED IN)		
OPERATING ACTIVITIES	10,162	(11,482)
NET CASH USED IN INVESTING ACTIVITIES	(199)	(65)
NET CASH (USED IN)/GENERATED FROM		
FINANCING ACTIVITIES	(12,463)	6,603
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,500)	(4,944)
CASH AND CASH EQUIVALENTS AT		
BEGINNING OF THE PERIOD	43,104	36,264
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	40,604	31,320

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as the applicable disclosure requirements of Chapter 18 to the GEM Listing Rules. These interim condensed consolidated financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2018.

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended 30 September 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

Other than as further explained below, the adoption of the new and revised HKFRSs has had no significant financial effect on these interim condensed consolidated financial statements of the Group.

Impacts and changes in accounting policies on application of HKFRS 9 Financial Instruments and related amendments

In the current period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between the carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits, without restating comparative information. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “Financial Instruments: Recognition and Measurement”.

Key changes in accounting policies resulting from application of HKFRS 9

(i) Classification and measurement

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (“**FVTOCI**”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss (“**FVTPL**”), except that at the date of initial application/initial recognition of a financial assets, the Group may make an irrevocable elect to present subsequent changes in fair value of an equity investment in other comprehensive income (“**OCI**”) if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 “Business Combinations” applies.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset.

The Directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed below.

(ii) Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“**12m ECL**”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for contract assets and financial assets at amortised cost by adjusting through a loss allowance account.

Summary of effects arising from initial application of HKFRS 9

(i) Classification and measurement

The Group has assessed that the life insurance policies' assets of approximately HK\$2,913,000 as at 31 March 2018, that were measured at amortised cost prior to the adoption of HKFRS 9, would not pass the contractual cash flow characteristics test in HKFRS 9 and were reclassified as financial assets at fair value through profit or loss from 1 April 2018. The Group recognised a transitional adjustment of approximately HK\$171,000 to reduce the carrying amount of the life insurance policies' assets against the opening balance of retained profits at 1 April 2018.

(ii) Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, contract assets, amounts due from related parties, bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

At 1 April 2018, certain trade receivables and contract assets are determined as low credit risk at the date of initial application since the counterparties with a good history of repayment. The Directors of the Company also reviewed and assessed the Group's remaining trade receivables and contract assets, and other financial assets for impairment using reasonable and supportable information that is available without undue cost and effort. As a result, no additional loss allowance for financial assets was recognised on transition of HKFRS 9 when applying the expected credit risk model.

Impacts and changes in accounting policies on application of HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 “*Revenue from Contract with Customers*” for the first time in the current interim period. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group unconditional right to consideration.

A contract liability represents the Group's obligation to transfer goods and services to a customer for which the Group has received consideration from the customer.

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018	Impact of HKFRS 15	Carrying amounts under HKFRS 15 at 1 April 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Deferred tax assets	–	1,167	1,167
Current assets			
Trade and other receivables	61,323	(11,891)	49,432
Amounts due from customers for contract work	36,939	(36,939)	–
Contract assets	–	37,874	37,874
Current liabilities			
Trade and other payables	15,333	616	15,949
Amounts due to customers for contract work	4,499	(4,499)	–
Capital and reserves			
Retained profits	39,758	(5,906)	33,852

The following table summarises the impact of transition to HKFRS 15 on retained profits and the related tax impact at 1 April 2018:

	<i>HK\$'000</i>
Retained profits	
Recognition of revenue and cost over time	7,073
Related tax	<u>(1,167)</u>
Net decrease to retained profits from adoption of HKFRS 15 on 1 April 2018	<u><u>5,906</u></u>

Summary of effects arising from initial application of HKFRS 9 and HKFRS 15

	Carrying amounts previously reported at 31 March 2018 <i>HK\$'000</i>	Impact of HKFRS 9 <i>HK\$'000</i>	Impact of HKFRS 15 <i>HK\$'000</i>	Carrying amounts under HKFRS 9 and HKFRS 15 at 1 April 2018 <i>HK\$'000</i>
Non-current assets				
Deposits and prepayments for life insurance policies	2,913	(171)	–	2,742
Deferred tax assets	–	–	1,167	1,167
Current assets				
Trade and other receivables	61,323	–	(11,891)	49,432
Amounts due from customers for contract work	36,939	–	(36,939)	–
Contract assets	–	–	37,874	37,874
Current liabilities				
Trade and other payables	15,333	–	616	15,949
Amounts due to customers for contract work	4,499	–	(4,499)	–
Capital and reserves				
Retained profits	39,758	(171)	(5,906)	33,681

(b) The following new standards and revisions to standards have been issued, but are not effective for the financial year beginning on or after 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.

4. ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2018.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities are exposed to a variety of financial risks, interest rate risk, credit risk and liquidity risk. The interim condensed consolidated financial information do not include all financial risk management information and disclosures that are required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements as at 31 March 2018.

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

5.2 Liquidity risk

There have been no material changes to the policies and practices for the Group's liquidity and funding risks management as described in the consolidated financial statements for the year ended 31 March 2018.

5.3 Fair value estimation

At 31 March 2018 and 30 September 2018, the Group's held-for-trading investments are measured at fair value. Upon adoption of HKFRS 9, the Group's life insurance policies are measured at fair value as at 30 September 2018.

The carrying values of receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

6. REVENUE AND SEGMENT INFORMATION

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

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

	Three months ended		Six months ended	
	30 September		30 September	
	2018	2017	2018	2017
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
Fitting-out and renovation services	46,676	8,048	54,773	20,779
Alteration and addition works services	13,781	24,633	51,563	57,141
Interior design services	2,813	1,058	4,550	2,151
Total	63,270	33,739	110,886	80,071

7. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	Three months ended		Six months ended	
	30 September		30 September	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other income				
Dividend income from listed equity securities	1	–	1	–
Interest income on deposits and prepayments for life insurance policies	–	6	–	26
Sundry income	17	213	32	271
	<u>18</u>	<u>219</u>	<u>33</u>	<u>297</u>
Other gains and losses, net				
Loss arising on change in fair value of derivative financial instruments	–	–	–	(214)
Gain/(loss) arising on change in fair value of held-for-trading investments	(3)	1	(4)	1
	<u>(3)</u>	<u>1</u>	<u>(4)</u>	<u>(213)</u>
	<u>15</u>	<u>220</u>	<u>29</u>	<u>84</u>

8. FINANCE COSTS

	Three months ended		Six months ended	
	30 September		30 September	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on bank borrowings and overdrafts	<u>175</u>	<u>92</u>	<u>406</u>	<u>167</u>

9. PROFIT BEFORE TAX

	Three months ended		Six months ended	
	30 September		30 September	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit before tax has been arrived at after charging:				
Auditors' remuneration	162	150	315	300
Operating lease payments in respect of rented premises	306	119	612	239
Impairment loss recognised on trade receivables	1,079	731	1,817	1,080
Depreciation of plant and equipment	440	94	875	183
Employee benefits expense:				
Salaries and other benefits	4,398	2,981	8,406	6,743
Contributions to retirement benefit scheme	140	101	272	203
Total employee benefits expense, including directors' emoluments	<u>4,538</u>	<u>3,082</u>	<u>8,678</u>	<u>6,946</u>

10. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30 September		30 September	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong profits tax	<u>2,005</u>	<u>344</u>	<u>2,600</u>	<u>1,384</u>

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%.

11. DIVIDEND

The Directors did not recommend a payment of an interim dividend for the six months ended 30 September 2018 (2017: Nil).

12. EARNINGS PER SHARE

	Three months ended		Six months ended	
	30 September		30 September	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings				
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	<u>5,269</u>	<u>250</u>	<u>8,281</u>	<u>4,224</u>

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

<u>1,120,000</u>	<u>1,120,000</u>	<u>1,120,000</u>	<u>1,120,000</u>
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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 six months ended 30 September 2018 and 2017.

13. PLANT AND EQUIPMENT

During the reporting period, the Group acquired plant and equipment of approximately HK\$0.2 million (2017: HK\$0.74 million).

14. TRADE AND OTHER RECEIVABLES

The Group's credit term offered to its customers is within 30 days.

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Trade receivables	37,895	52,033
Less: Allowance for doubtful debts	<u>(6,960)</u>	<u>(5,143)</u>
	30,935	46,890
Retention receivables	–	11,891
Other receivables, prepayments and deposits	<u>2,505</u>	<u>2,542</u>
	<u><u>33,440</u></u>	<u><u>61,323</u></u>

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

	30 September 2018 <i>HK\$'000</i> (Unaudited)	31 March 2018 <i>HK\$'000</i> (Audited)
0-30 days	9,688	37,755
31-60 days	1,707	4,476
61-90 days	687	3,125
91-180 days	18,582	1,505
over 180 days	271	29
	<u>30,935</u>	<u>46,890</u>

15. TRADE AND OTHER PAYABLES

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

	30 September 2018 <i>HK\$'000</i> (Unaudited)	31 March 2018 <i>HK\$'000</i> (Audited)
Trade payables	4,802	11,522
Other payables and accruals	3,864	3,811
	<u>8,666</u>	<u>15,333</u>

The ageing analysis of trade payables presented based on the invoice date is as follows.

	30 September 2018 <i>HK\$'000</i> (Unaudited)	31 March 2018 <i>HK\$'000</i> (Audited)
0-30 days	1,548	8,113
31-60 days	125	712
61-90 days	1,398	1,420
91-180 days	801	81
over 180 days	930	1,196
	<u>4,802</u>	<u>11,522</u>

16. SHARE CAPITAL

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

	Number of ordinary shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 March 2018 and 30 September 2018	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 31 March 2018 and 30 September 2018	<u><u>1,120,000,000</u></u>	<u><u>11,200</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

The Group experienced an increase in revenue and net profit for the six months ended 30 September 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 from approximately HK\$80.1 million for the six months ended 30 September 2017 to approximately HK\$110.9 million for the six months ended 30 September 2018, representing a growth of approximately HK\$30.8 million or 38.5%. Such increase was mainly due to the significant increase in the fitting-out and renovation projects undertaken by the Group for the six months ended 30 September 2018.

Direct Costs

The direct costs increased from approximately HK\$65.5 million for the six months ended 30 September 2017 to approximately HK\$87.7 million for the six months ended 30 September 2018, representing an increase of approximately HK\$22.2 million or 34.0%. Such increase was mainly attributable to the increase in subcontracting charges for the period.

Gross Profit

Gross profit of the Group increased by approximately 58.7% from approximately HK\$14.6 million for the six months ended 30 September 2017 to approximately HK\$23.1 million for the six months ended 30 September 2018, primarily due to the increase in revenue as discussed above.

Administrative and other Operating Expenses

Administrative and other operating expenses of the Group increased by approximately 33.7% from approximately HK\$8.9 million for the six months ended 30 September 2017 to approximately HK\$11.9 million for the six months ended 30 September 2018. The increase in administrative and other operating expenses was mainly due to an increase in rental expenses, as a result of relocation of office, and the increase in legal and professional fees for the six months ended 30 September 2018.

Finance Costs

Finance costs of the Group increased by approximately 143.1% from approximately HK\$0.2 million for the six months ended 30 September 2017 to approximately HK\$0.4 million for the six months ended 30 September 2018. Finance costs consist of interest on bank borrowings and overdrafts. The increase was mainly due to the increase in secured bank loans during the period.

Profit for the period

As a result of the foregoing, the Group's profit for the period increased by approximately HK\$4.1 million, or 96.0%, from approximately HK\$4.2 million for the six months ended 30 September 2017 to approximately HK\$8.3 million for the six months ended 30 September 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2018, the Group had total assets of approximately HK\$131.6 million (31 March 2018: HK\$150.0 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$24.5 million (31 March 2018: HK\$45.1 million) and approximately HK\$107.1 million (31 March 2018: HK\$104.9 million), respectively.

The Group maintained a healthy financial position during the period. As at 30 September 2018, the Group had bank and cash balances of approximately HK\$40.6 million (31 March 2018: approximately HK\$43.1 million). The total interest-bearing borrowings (interest-bearing bank borrowings and bank overdrafts) of the Group as at 30 September 2018 were approximately HK\$12.3 million (31 March 2018: HK\$24.3 million), and current ratio as at 30 September 2018 was approximately 5.1 times (31 March 2018: 3.2 times).

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

BORROWINGS AND GEARING RATIO

The gearing ratio of the Group as at 30 September 2018 was approximately 11.5% (31 March 2018: approximately 23.2%). The decrease in the Group's gearing ratio was mainly due to the repayment of bank borrowings during the period.

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

TREASURY POLICY

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

CHARGE ON GROUP ASSETS

As at 30 September 2018, the Group pledged its life insurance policies to a bank of approximately HK\$2.7 million (31 March 2018: HK\$2.9 million) to secure the banking facilities granted to the Group.

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

FOREIGN EXCHANGE EXPOSURE

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

CAPITAL STRUCTURE

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

As at 30 September 2018, the Company's issued share capital was HK\$11.2 million and the number of its issued ordinary shares was 1,120,000,000 of HK\$0.01 each.

COMMITMENTS

The Group did not have any capital commitment as at 30 September 2018 (31 March 2018: Nil).

SEGMENT INFORMATION

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group does not have any concrete plans for material investments or capital assets as at 30 September 2018.

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

During the six months ended 30 September 2018, 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 Company Limited (“**Ample Construction**”), the subsidiary of the Group, to issue guarantees for the performance of contract works in the form of surety bonds of approximately HK\$3.6 million (31 March 2018: HK\$3.6 million) as at 30 September 2018. The Company and Ample Construction, have unconditionally and irrevocably agreed to indemnify the insurance company for any claims and losses that the insurance company may incur from the issuance of surety bonds. The surety bonds will be released when the contracts are completed or substantially completed pursuant to the relevant contracts.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018, the Group employed a total of 42 employees (31 March 2018: 39). The staff costs, including Directors’ emoluments, of the Group were approximately HK\$8.7 million for the six months ended 30 September 2018 (30 September 2017: HK\$6.9 million).

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

INTERIM DIVIDEND

The Directors did not recommend a payment of an interim dividend for the six months ended 30 September 2018.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Company dated 30 December 2016 (the “**Prospectus**”) with the Group’s actual business progress to 30 September 2018 is set out below:

Business strategies as stated in the Prospectus	Business objectives up to 30 September 2018 as stated in the Prospectus	Actual business progress up to 30 September 2018
Participate further in large scale fitting-out, renovation and A&A projects and enlarge the Group’s market share in Hong Kong	<ul style="list-style-type: none">Utilise net proceeds from the Placing to finance the net cash outflows required in the early stage of 11 new projects with expected aggregate contract sum of not less than approximately HK\$29.5 million, including the upfront payments to the materials suppliers and subcontractors and take out surety bonds if necessary. Some payments are paid upfront before the Group receives progress payment from the Group’s clients	<p>The Group has used HK\$12.7 million to finance the net cash outflows required in the early stage of five new projects with expected aggregate contract sum of not less than HK\$25.0 million, including the upfront payments to the materials suppliers and subcontractors.</p> <p>Those projects have been completed.</p>
	<ul style="list-style-type: none">In addition to previous successfully bid projects, the Group intends to submit tenders for aggregate project sum exceeding HK\$30 million in the fitting-out, renovation and A&A works industry. The Directors confirm that surety bonds amounting to 10% to 30% are often required by the customers for the contractors to take out to guarantee due performance on projects of this size	<p>The Group has used HK\$12.7 million to finance the net cash outflows required in the early stage of five new projects with expected aggregate contract sum of not less than HK\$25.0 million, including the upfront payments to the materials suppliers and subcontractors.</p> <p>Those projects have been completed.</p>

Business strategies as stated in the Prospectus

Business objectives up to 30 September 2018 as stated in the Prospectus

Actual business progress up to 30 September 2018

- Undertake new large-sized projects with aggregate contract sum of not less than HK\$50 million and duration of the projects is expected to last for at least 12 months

The Group has used HK\$12.7 million to finance the net cash outflows required in the early stage of five new projects with expected aggregate contract sum of not less than HK\$25.0 million, including the upfront payments to the materials suppliers and subcontractors.

Those projects have been completed.

- Assess the sufficiency of labour resources in the public housing improvement and maintenance team with new positions of contract manager and site agent, which are required for the registration in order to be included in “Group M1” of the List of Building Contractors for Public Works

The Group has used HK\$0.8 million to employ a contract manager and site agent for the public housing improvement and maintenance team for the “Group M1” of the List of Building Contractors for Public Works.

Participate in competitions and exhibitions to promote and develop the Group’s interior design and fitting-out business

- Assess the capacity of the Group’s interior design department and evaluate the Group labour resources in this department

The Group has used HK\$0.1 million on the Group’s labour resources in the interior design department.

- The Group will participate in seven interior design competitions, aiming at winning an award which could bolster the market reputation and demonstrate the Group’s strength in interior design

The Group is in the progress of finding appropriate interior design competitions.

Business strategies as stated in the Prospectus	Business objectives up to 30 September 2018 as stated in the Prospectus	Actual business progress up to 30 September 2018
Expand manpower for project execution and strengthen the skills of the Group's staff	<ul style="list-style-type: none"> Participate in two interior design related public exhibitions as an exhibitor 	<p>The Group is in the progress of identifying appropriate interior design related public exhibitions as an exhibitor.</p>
	<ul style="list-style-type: none"> Build and modify the interior design and fitting-out mock-up unit in the Group's new office which will be open for public 	<p>The Group has spent HK\$2.5 million to build the interior design and fitting-out mock-up unit in the Group's new office which will be open for public.</p>
	<ul style="list-style-type: none"> Identify suitable candidates to fill two designer posts and one project manager (interior design) openings 	<p>The Group has used HK\$0.1 million to employ one designer and is in the progress of finding suitable candidates to fill one designer and one project manager (interior design) post.</p>
	<ul style="list-style-type: none"> Identify suitable candidates to fill the Group's openings of one project manager and one project coordinator with relevant experiences 	<p>The Group has used HK\$1.6 million to employ one experienced project manager and one project coordinator.</p>
	<ul style="list-style-type: none"> Continue to assess the sufficiency of the labour resources having regard to the Group's project execution need and business development demand 	<p>The Group has used HK\$0.4 million on recruiting suitable candidates to fulfill the Group's project execution need and business development demand.</p>
	<ul style="list-style-type: none"> Organise in-house seminars and invite external speakers to provide taught training on construction methodology, project management and work safety in the in-house seminars 	<p>The Group is in the progress of organising in-house seminars and inviting external speakers to provide taught training on construction methodology, project management and work safety in the in-house seminars.</p>

Business strategies as stated in the Prospectus	Business objectives up to 30 September 2018 as stated in the Prospectus	Actual business progress up to 30 September 2018
Strengthen the Group's business development and quantity surveying and enhance the Group's marketing resources	<ul style="list-style-type: none"> <li data-bbox="528 257 997 534">• Renovate the Group's new office to cater to enlarged workforce and prepare for new business opportunities in the residential sector, when the Group's existing office lease is due to expire <li data-bbox="528 576 997 732">• Maintain the business development department which is to be headed by Ms. Wong, the executive Director <li data-bbox="528 774 997 1215">• Maintain the Group's quantity surveying team which will consist of one quantity survey manager, one quantity surveyor and one project assistant, with sufficient relevant quantity surveying experience, which will assist the Group in preparing tenders, payment applications and controlling project costs <li data-bbox="528 1257 997 1491">• Identify suitable candidates with business development experience and fill one business development position for interior design and fitting-out business <li data-bbox="528 1534 997 1655">• Design, create and print the corporate and other marketing materials <li data-bbox="528 1740 997 1815">• Maintain and improve the Group's corporate website 	<p data-bbox="1023 257 1522 491">The Group has spent HK\$3.0 million to renovate the new office to cater for the enlarged workforce and prepare for new business opportunities in the residential sector.</p> <p data-bbox="1023 576 1522 732">The Group has used HK\$0.4 million to employ a suitable candidate for the business development department.</p> <p data-bbox="1023 774 1522 1008">The Group has used HK\$0.2 million to employ one project assistant and is in the progress of finding suitable candidates to recruit one quantity survey manager and one quantity surveyor.</p> <p data-bbox="1023 1257 1522 1412">The Group has used HK\$0.4 million to employ a suitable candidate for the business development department.</p> <p data-bbox="1023 1534 1522 1689">The Group has used HK\$76,000 in designing, creating and printing corporate and other marketing materials.</p> <p data-bbox="1023 1740 1522 1815">The Group has used HK\$28,000 to set up the new corporate website.</p>

USE OF PROCEEDS

The net proceeds from the listing, after deducting listing related expenses, were approximately HK\$51.2 million. After the listing, 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 at 30 September 2018 is set out below:

	Planned use of net proceeds as stated in the Prospectus up to 30 September 2018 <i>HK\$'000</i>	Actual use of net proceeds up to 30 September 2018 <i>HK\$'000</i>
Participate further in large scale fitting-out, renovation and A&A projects and enlarge the Group's market share in HK	14,400	13,524
Participate in competitions and exhibitions to promote and develop the Group's interior design and fitting-out business	6,700	2,723
Expand the Group's manpower for projects execution and strengthen the skills of the Group's staff	8,200	4,967
Strengthen the Group's business development and quantity surveying and enhance the Group's marketing resources	7,000	672
General working capital	<u>5,000</u>	<u>5,000</u>

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

OTHER INFORMATION

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

As at 30 September 2018, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which are required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, are as follows:

Long positions in Shares and underlying Shares

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

Notes:

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

Save as disclosed above, as at 30 September 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 30 September 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 which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in the Shares

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

Notes:

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

Save as disclosed above, as at 30 September 2018, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company, had any interests or a short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's Shares during the six months ended 30 September 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 six months ended 30 September 2018.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors (the “**Required Standard of Dealing**”). Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Required Standard of Dealing during the six months ended 30 September 2018.

SHARE OPTION SCHEME

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

For the six months ended 30 September 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**”) in Appendix 15 to the GEM Listing Rules and in relation to, among others, the Directors, chairman and chief executive officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with the shareholders of the Company.

To the best knowledge of the Board, the Company has complied with the code provisions in the CG Code during the six months ended 30 September 2018 and up to the date of this announcement.

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 posted on the website of the Stock Exchange and on the Company’s website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Audit Committee has reviewed the interim condensed consolidated financial statements and the results for the six months ended 30 September 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, 12 November 2018

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

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