



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

2019

Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Wong Wan Sze (*Chairman*)

Mr. Lam Shui Wah (*Chief Executive Officer*)

Independent non-executive Directors

Mr. Ng Man Wai

Ms. Tsang Ngo Yin

Mr. Wu Wai Ki

BOARD COMMITTEES

Audit Committee

Ms. Tsang Ngo Yin (*Chairman*)

Mr. Ng Man Wai

Mr. Wu Wai Ki

Remuneration Committee

Mr. Wu Wai Ki (*Chairman*)

Ms. Tsang Ngo Yin

Ms. Wong Wan Sze

Nomination Committee

Ms. Wong Wan Sze (*Chairman*)

Ms. Tsang Ngo Yin

Mr. Wu Wai Ki

COMPANY SECRETARY

Ms. Yim Sau Ping (*FCCA*)

AUTHORISED REPRESENTATIVES

Ms. Wong Wan Sze

Ms. Yim Sau Ping (*FCCA*)

COMPLIANCE ADVISER

Frontpage Capital Limited

26/F, Siu On Centre

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Wan Chai

Hong Kong

AUDITORS

HLB Hodgson Impey Cheng Limited

31/F, Gloucester Tower

The Landmark

11 Pedder Street

Central

Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAWS

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Units 4101-04, 41/F

Sun Hung Kai Centre

30 Harbour Road

Wan Chai

Hong Kong

**PRINCIPAL SHARE REGISTRAR AND
TRANSFER OFFICE IN CAYMAN
ISLANDS**

Estera Trust (Cayman) Limited
Clifton House
75 Ford Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

**BRANCH SHARE REGISTRAR AND
TRANSFER OFFICE IN HONG KONG**

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

**REGISTERED OFFICE IN THE CAYMAN
ISLANDS**

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PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

**HEAD OFFICE AND PRINCIPAL PLACE
OF BUSINESS IN HONG KONG**

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No. 115 How Ming Street
Kwun Tong, Kowloon
Hong Kong

PRINCIPAL BANKS

The Hongkong and Shanghai Banking
Corporation Limited
DBS Bank (Hong Kong) Limited

STOCK CODE

1867

COMPANY'S WEBSITE

www.lksholding.com

UNAUDITED INTERIM RESULTS

The unaudited condensed consolidated results of LKS Holding Group Limited (the “Company” and together with its subsidiaries, the “Group”) for the six months ended 30 September 2019, together with the comparative figures for the corresponding period in 2018, are as follows:

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

For the six months ended 30 September 2019

		Six months ended 30 September	
	Notes	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	6	176,919	110,886
Direct costs		(152,544)	(87,737)
Gross profit		24,375	23,149
Other income, other gains and losses, net	7	104	29
Administrative and other operating expenses		(10,642)	(11,891)
Finance costs	8	(500)	(406)
Profit before tax	9	13,337	10,881
Income tax expense	10	(3,100)	(2,600)
Profit and total comprehensive income for the period attributable to the owners of the Company		10,237	8,281
Basic and diluted earnings per share (HK cents)	12	0.91	0.74

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

		As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
	Notes		
Non-current assets			
Plant and equipment	13	2,598	3,463
Right-of-use asset		897	–
Deposits and prepayments for life insurance policies		2,996	2,996
Deferred tax assets		2,151	2,151
		8,642	8,610
Current assets			
Trade and other receivables	14	97,576	84,394
Contract assets		36,784	28,312
Amounts due from related parties		785	765
Financial assets at fair value through profit or loss		13	15
Current tax recoverable		25	25
Bank balances and cash		15,158	31,637
		150,341	145,148
Total assets		158,983	153,758
Current liabilities			
Trade and other payables	15	6,489	13,013
Lease liability		888	–
Borrowings		21,759	24,198
Current tax liabilities		3,991	891
		33,127	38,102
Net current assets		117,214	107,046
Total assets less current liabilities		125,856	115,656
Net assets		125,856	115,656

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2019

	Notes	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	16	11,200	11,200
Reserves		114,656	104,456
Total equity		125,856	115,656

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Retained profits HK\$'000	
At 1 April 2019 (Audited)	11,200	53,085	876	50,495	115,656
Effect arising from initial application of HKFRS 16	-	-	-	(37)	(37)
Profit and total comprehensive income for the period	-	-	-	10,237	10,237
At 30 September 2019 (Unaudited)	11,200	53,085	876	60,695	125,856
At 31 March 2018 (Audited)	11,200	53,085	876	39,758	104,919
Effect arising from initial application of HKFRS 15	-	-	-	(5,392)	(5,392)
At 1 April 2018 (Audited)	11,200	53,085	876	34,366	99,527
Profit and total comprehensive income for the period	-	-	-	8,281	8,281
At 30 September 2018 (Unaudited)	11,200	53,085	876	42,647	107,808

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(13,554)	10,162
NET CASH USED IN INVESTING ACTIVITIES	(24)	(199)
NET CASH USED IN FINANCING ACTIVITIES	(2,901)	(12,463)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(16,479)	(2,500)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	31,637	43,104
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	15,158	40,604

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 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 shares of the Company (the “**Share(s)**”) were listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 12 January 2017 (the “**Listing**”) and were transfer to and listed on the Main Board of the Stock Exchange on 9 May 2019 (the “**Transfer of Listing**”).

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 Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**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 2019.

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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2019, except for the adoption of the following new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA which are mandatory effective for the Group's financial period beginning on or after 1 April 2019.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to 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 accounting period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated interim financial statements.

(a) Impacts and changes in accounting policies of application on HKFRS 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current accounting period. HKFRS 16 superseded HKAS 17 *Leases* and the related interpretations.

i Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Right-of-use asset

The Group recognises right-of-use asset at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use asset is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use asset as a separate line item on the interim condensed consolidated statement of financial position.

Refundable rental deposit

Refundable rental deposit paid is accounted under HKFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use asset.

Lease liability

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liability is adjusted by interest accretion and lease payments.

The Group remeasures lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use asset and the related lease liability, the Group first determines whether the tax deductions are attributable to the right-of-use asset or the lease liability.

For leasing transactions in which the tax deductions are attributable to the lease liability, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use asset and lease liability separately. Temporary differences relating to right-of-use asset and lease liability are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

ii Transition and summary of effects arising from initial application of HKFRS 16

As a lessee

The Group has adopted the modified retrospective application permitted by HKFRS 16 upon adoption of the new standard. Accordingly, the standard has been applied for the Group's financial period beginning on 1 April 2019. Modified retrospective application requires the recognition of the cumulative impact of adoption of HKFRS 16 on all contracts as at 1 April 2019 in the opening retained profits and comparative information has not been restated.

Modified retrospective application of HKFRS 16 also requires the Group to recognise a lease liability at the date of initial application for lease previously classified as an operating lease under the superseded HKAS 17 measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application.

The Group has applied a single discount rate to the lease with reasonably similar characteristics for determination of present value of the remaining lease payments. The right-of-use asset has been recognised, on a lease-by-lease basis, and discounted using the Group's incremental borrowing rate at the date of initial application.

(b) Adjustments recognised on adoption of HKFRS 16

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Statement of financial position (extract)	At 31 March 2019 under HKAS 17 HK\$'000	Effect of adoption (Increase/ (decrease)) HK\$'000	At 1 April 2019 under HKFRS 16 HK\$'000
Non-current assets			
Right-of-use asset	–	1,435	1,435
Current liabilities			
Lease liability	–	1,183	1,183
Non-current liabilities			
Lease liability	–	289	289
Retained profits	50,495	(37)	50,458

On adoption of HKFRS 16, the Group recognised lease liability in relation to lease which had previously been classified as “operating leases” under the principles of HKAS 17 Leases. The liability was measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate 5% per annum as at 1 April 2019.

(c) 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 2019 and have not been early adopted by the Group.

HKFRS 17 Amendments to HKFRS 3 Amendments to HKFRS 10 and HKAS 28	Insurance Contracts ¹ Definition of a Business ² Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 1 and HKAS 8	Definition of Material ³

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 1 January 2020.

⁴ 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 interim condensed consolidated 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 2019.

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 2019.

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 2019.

5.3 Fair value estimation

At 31 March 2019 and 30 September 2019, 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 2019.

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:

	Six months ended 30 September	
	2019	2018
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Revenue		
Fitting-out and renovation services	152,443	54,773
Alteration and addition works services	23,773	51,563
Interior design services	703	4,550
Total	176,919	110,886

7. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Other income		
Dividend income from listed equity securities	1	1
Sundry income	101	32
	102	33
Other gains and losses, net		
Gain/(loss) arising on change in fair value of held-for-trading investments	2	(4)
	2	(4)
	104	29

8. FINANCE COSTS

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest on bank borrowings and overdrafts	471	406
Interest expense on lease liability	29	–
	500	406

9. PROFIT BEFORE TAX

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before tax has been arrived at after charging:		
Auditors' remuneration	500	315
Operating lease payments in respect of rented premises	–	612
Impairment loss recognised on trade receivables	–	1,817
Depreciation of plant and equipment	888	875
Depreciation of right-of-use asset	538	–
Employee benefits expense:		
Salaries and other benefits	10,105	8,406
Contributions to retirement benefit scheme	356	272
Total employee benefits expense, including directors' emoluments	10,461	8,678

10. INCOME TAX EXPENSE

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong profits tax	3,100	2,600

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 introduced 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 2019 (2018: Nil).

12. EARNINGS PER SHARE

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	10,237	8,281
	2019	2018
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,120,000	1,120,000

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 2019 and 2018.

13. PLANT AND EQUIPMENT

During the reporting period, the Group acquired plant and equipment of approximately HK\$2.6 million (31 March 2019: HK\$3.5 million).

14. TRADE AND OTHER RECEIVABLES

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

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Trade receivables	97,844	80,173
Less: Allowance for credit losses	(8,902)	(8,894)
	88,942	71,279
Other receivables, prepayments and deposits	8,634	13,115
	97,576	84,394

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

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
0–30 days	72,646	50,801
31–60 days	7,174	9,569
61–90 days	1,571	1,666
91–180 days	1,335	7,065
over 180 days	15,118	11,072
	97,844	80,173
Less: Allowance for credit losses	(8,902)	(8,894)
	88,942	71,279

15. TRADE AND OTHER PAYABLES

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

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Trade payables	2,901	9,085
Other payables and accruals	3,588	3,928
	6,489	13,013

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

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
0–30 days	1,759	3,690
31–60 days	33	224
61–90 days	11	637
91–180 days	177	2,077
over 180 days	921	2,457
	2,901	9,085

16. SHARE CAPITAL

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

	Number of ordinary shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 March 2019 and 30 September 2019	2,000,000,000	20,000
Issued and fully paid:		
At 31 March 2019 and 30 September 2019	1,120,000,000	11,200

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 an increase in revenue and net profit for the six months ended 30 September 2019 compared to the corresponding period in 2018. 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 enabling eligible loans under the 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 and embrace future challenges that are commonly faced by all competitors.

FINANCIAL REVIEW

Revenue

The revenue increased from approximately HK\$110.9 million for the six months ended 30 September 2018 to approximately HK\$176.9 million for the six months ended 30 September 2019, representing a growth of approximately HK\$66.0 million or 59.6%. 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 2019.

Direct Costs

The direct costs increased from approximately HK\$87.7 million for the six months ended 30 September 2018 to approximately HK\$152.5 million for the six months ended 30 September 2019, representing an increase of approximately HK\$64.8 million or 73.9%. Such increase was mainly attributable to the increase in subcontracting charges for the period.

Gross Profit

Gross profit of the Group increased by approximately 5.3% from approximately HK\$23.1 million for the six months ended 30 September 2018 to approximately HK\$24.4 million for the six months ended 30 September 2019, primarily due to the increase in revenue as disclosed above.

Administrative and other Operating Expenses

Administrative and other operating expenses of the Group decreased by approximately 10.5% from approximately HK\$11.9 million for the six months ended 30 September 2018 to approximately HK\$10.6 million for the six months ended 30 September 2019. The decrease in administrative and other operating expenses was mainly due to a decrease in impairment loss recognised on trade receivables for the six months ended 30 September 2019.

Finance Costs

Finance costs of the Group increased from approximately HK\$0.4 million for the six months ended 30 September 2018 to approximately HK\$0.5 million for the six months ended 30 September 2019. Finance costs consist of interest on bank borrowings and overdrafts as well as the interest expense on the lease liability.

Profit for the period

As a result of the foregoing, the Group's profit for the period increased by approximately HK\$1.9 million, or 23.6%, from approximately HK\$8.3 million for the six months ended 30 September 2018 to approximately HK\$10.2 million for the six months ended 30 September 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2019, the Group had total assets of approximately HK\$159.0 million (31 March 2019: HK\$153.8 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$33.1 million (31 March 2019: HK\$38.1 million) and approximately HK\$125.9 million (31 March 2019: HK\$115.7 million), respectively.

The Group maintained a healthy financial position during the period. As at 30 September 2019, the Group had bank and cash balances of approximately HK\$15.2 million (31 March 2019: approximately HK\$31.6 million). The total interest-bearing borrowings (interest-bearing bank borrowings and bank overdrafts) of the Group as at 30 September 2019 were approximately HK\$21.8 million (31 March 2019: HK\$24.2 million), and current ratio as at 30 September 2019 was approximately 4.5 times (31 March 2019: 3.8 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.

GEARING RATIO

The gearing ratio of the Group as at 30 September 2019 was approximately 18.0% (31 March 2019: approximately 20.9%). 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) and total lease liability 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 2019, the Group pledged its life insurance policies to a bank of approximately HK\$3.0 million (31 March 2019: 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 Group 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 Group since then. The share capital of the Group only comprises of ordinary shares.

As at 30 September 2019, 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 2019 (31 March 2019: 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 ACQUISITION OF CAPITAL ASSETS

The Group does not have any concrete plans for material investments or acquisition of capital assets as at 30 September 2019.

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

During the six months ended 30 September 2019, 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, the subsidiary of the Group, to issue guarantees for the performance of contract works in the form of surety bonds of approximately HK\$11.8 million (31 March 2019: HK\$10.4 million) as at 30 September 2019. The Company and Ample Construction, have unconditionally and irrevocably agreed to indemnify to 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 2019, the Group employed a total of 88 employees (30 September 2018: 42). The staff costs, including Directors' emoluments, of the Group were approximately HK\$10.5 million for the six months ended 30 September 2019 (30 September 2018: HK\$8.7 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.

INTERIM DIVIDEND

The Directors did not recommend a payment of an interim dividend for the six months ended 30 September 2019.

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 2019 is set out below:

Business strategies as stated in the Prospectus

Participate further in large scale fitting-out, renovation and A&A projects and enlarge the Group’s market share in Hong Kong

Business objectives up to 30 September 2019 as stated in the Prospectus

- Utilise net proceeds from the placing to finance the net cash outflows required in the early stage of fourteen new projects with expected aggregate contract sum of not less than approximately HK\$37.0 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
- In addition to previous successfully bid projects, the Group intends to submit tenders for project sum exceeding HK\$40.0 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

Actual business progress up to 30 September 2019

The Group has used HK\$15.5 million to finance the net cash outflows required in the early stage of new projects, including the upfront payments to the suppliers of construction materials and subcontractors. All projects have been completed and the proceeds have been fully utilised for those projects.

The Group has used HK\$15.5 million to finance the net cash outflows required in the early stage of new projects, including the upfront payments to the suppliers of construction materials and subcontractors. All projects have been completed and the proceeds have been fully utilised for those projects.

**Business strategies
as stated in
the Prospectus**

**Business objectives
up to 30 September 2019
as stated in the Prospectus**

**Actual business progress
up to 30 September 2019**

	<ul style="list-style-type: none">Undertake new large-sized projects with aggregate contract sum of not less than HK\$50.0 million and duration of the projects is expected to last for at least 12 months	The Group has used HK\$15.5 million to finance the net cash outflows required in the early stage of new projects, including the upfront payments to the suppliers of construction materials and subcontractors. All projects have been completed and the proceeds have been fully utilised for those projects.
	<ul style="list-style-type: none">Set up a 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 spent approximately HK\$2.6 million to employ one project manager and two site agents as a 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	<ul style="list-style-type: none">Assess the capacity of the Group interior design department and evaluate the Group labour resources in this department	The Group has spent approximately HK\$0.9 million to employ two designers and one project manager (interior design) to develop the Company's interior design and fitting-out business.
	<ul style="list-style-type: none">The Group will participate in nine 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 communicating with a few professional consultancies to find the appropriate interior design competition and considering to join the worldwide interior design competition.

**Business strategies
as stated in
the Prospectus**

**Business objectives
up to 30 September 2019
as stated in the Prospectus**

**Actual business progress
up to 30 September 2019**

	<ul style="list-style-type: none">Participate in two interior design related public exhibitions as an exhibitor	The Group is communicating with some experienced consultancies to provide a professional proposal of performing a success interior design exhibition and help the Group to identify appropriate interior design related public exhibition as an exhibitor.
	<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	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.
	<ul style="list-style-type: none">Identify suitable candidates to fill two designer posts and one project manager (interior design) openings	The Group has recruited two designers and is in the progress of finding suitable candidates to recruit one project manager (interior design).
Expand manpower for project execution and strengthen the skills of the Group's staff	<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 experiencesContinue 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\$0.8 million to employ one experienced project manager and one project coordinator.</p> <p>The Group has spent approximately HK\$4.4 million to employ one site foreman and two project assistants, two project managers and one accounting officer to strengthen the Group's project execution.</p>

**Business strategies
as stated in
the Prospectus**

**Business objectives
up to 30 September 2019
as stated in the Prospectus**

**Actual business progress
up to 30 September 2019**

	<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	The Group is in the progress of organising the in-house seminars and inviting the external speakers to provide taught training on construction methodology, project management and work safety in the in-house seminars.
	<ul style="list-style-type: none">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	The Group has spent HK\$3.0 million to renovate the new office to cater to enlarged workforce and prepare for new business opportunities in the residential sector.
Strengthen the Group's business development and quantity surveying and enhance the Group's marketing resources	<ul style="list-style-type: none">Maintain the business development department which is to be headed by Ms. Wong Wan Sze, the executive Director	The Group has spent approximately HK\$1.5 million to employ one business development manager and one project assistant to establish a business development team which is to be headed by Ms. Wong Wan Sze, the Executive Director.

**Business strategies
as stated in
the Prospectus**

**Business objectives
up to 30 September 2019
as stated in the Prospectus**

**Actual business progress
up to 30 September 2019**

- 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
The Group has spent approximately HK\$3.4 million to employ one project assistant, one quantity surveyor assistant one quantity surveyor and one quantity survey manager to form a quantity survey team which will assist the Group in preparing tenders, payment applications and controlling project costs.
- Identify suitable candidates with business development experience and fill one business development position for interior design and fitting-out business
The Group has recruited one business development manager for the business development department.
- Design, create and print the corporate brochures
The Group has spent HK\$0.7 million to employ one draftman and one assistant project manager in handling the design aspect of the Group's business development.
- Maintain and improve the Group's corporate website
The Group has used HK\$28,000 to set up the new corporate website. The Group has communicated with one website design company to provide a professional company website design.

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 30 September 2019 is set out below:

	Planned use of net proceeds as stated in the Prospectus up to 30 September 2019	Actual use of net proceeds up to 30 September 2019	Unutilised net proceeds up to 30 September 2019
	HK\$'000	HK\$'000	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	3,350	5,354
Expand the Group's manpower for projects execution and strengthen the skills of the Group's staff	9,933	8,192	1,741
Strengthen the Group's business development and quantity surveying and enhance the Group's marketing resources	9,421	5,648	3,773
General working capital	5,120	5,120	–
Total	51,200	40,332	10,868

As at 30 September 2019, 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\$10.9 million had not yet been utilised as at 30 September 2019 and was deposited into licensed banks in Hong Kong.

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.

EVENTS AFTER REPORTING PERIOD

Save as disclosed in this report, there is no other important event affecting the Group since 30 September 2019 and up to the date of this report.

OTHER INFORMATION

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

As at 30 September 2019, the interests and short positions of each 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 Securities and Future Ordinance (“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 Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) set out in Appendix 10 of the Listing Rules, are as follows:

Long positions in shares and underlying shares

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

Notes:

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

Save as disclosed above, as at 30 September 2019, 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 Model Code 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 2019, the following persons/entities (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interested in 10% or more of the nominal value of any class of share carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in the shares

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

Notes:

- (1) Mr. Cheung beneficially owns the entire issued share capital of Heavenly White Limited (“**Heavenly White**”). 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 2019, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company whose interests are set out in the section “Other Information – Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company remained to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% 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 members of the Group.

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 listed securities during the six months ended 30 September 2019.

COMPETITION AND CONFLICT OF INTERESTS

None of the directors or the controlling shareholders (as defined in the Listing Rules) of the Company (the “**Controlling Shareholders**”) or their 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 the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules during the six months ended 30 September 2019.

NON-COMPETITION UNDERTAKINGS

In order to avoid any possible future competition between the Group and the Controlling Shareholder, Mr. Cheung, Heavenly White, Mr. Lam and Summer Unicorn (each a **“Covenantor”** and collectively the **“Covenantors”**) have entered into the deed of non-competition (the **“Deed of Non-competition”**) with the Company (for itself and for the benefit of each other member of the Group) on 23 December 2016. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee of its subsidiaries) that, during the year that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the Covenantors further undertakes that if he/it or his/its associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it shall (and he/it shall procure his/its associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not.

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for consideration whether or not to exercise the right of first refusal.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted 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 during the six months ended 30 September 2019.

SHARE OPTIONS SCHEMES

The Company conditionally adopted a share option scheme on 23 December 2016 (the “**Scheme**”). The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Scheme are set forth in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to the Prospectus.

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. For corporate governance purpose, the Company has adopted the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 of the Listing Rules. During the six months ended 30 September 2019, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

AUDIT COMMITTEE

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

The Company has complied with Rule 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 interim condensed consolidated financial statements have not been audited nor reviewed by the Company's auditors, but have been reviewed by the Audit Committee.

The Audit Committee has reviewed with the management of the Company on the accounting principles and practices adopted by the Group, this report and the interim results announcement of the Group for the six months ended 30 September 2019, and is of the view that such results comply with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

ON BEHALF OF THE BOARD
LKS Holding Group Limited
Wong Wan Sze
Chairman and Executive Director

Hong Kong, 28 November 2019