



THIRD QUARTERLY
REPORT
2016

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

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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*This report, for which the directors (the “**Directors**”) of LKS Holding Group Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The unaudited condensed consolidated results of the Group for the three months and nine months ended 31 December 2016, together with the unaudited comparative figures for the corresponding periods in 2015, are as follows:

	Note	Three months ended 31 December		Nine months ended 31 December	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	29,783	24,738	100,814	91,551
Direct costs		(23,783)	(20,252)	(76,311)	(73,505)
Gross profit		6,000	4,486	24,503	18,046
Other (loss)/income		10	10	(559)	27
Selling and administrative expenses		(1,660)	(2,185)	(11,414)	(6,783)
Operating profit		4,350	2,311	12,530	11,290
Finance costs		(231)	(31)	(423)	(90)
Profit before income tax		4,119	2,280	12,107	11,200
Income tax expense	5	(728)	(439)	(2,790)	(1,956)
Profit and total comprehensive income for the period		3,391	1,841	9,317	9,244
Profit and total comprehensive income for the period attributable to:					
Owners of the Company		3,391	1,423	9,317	8,956
Non-controlling interests		-	418	-	288
		3,391	1,841	9,317	9,244
Earnings per share attributable to the owners of the Company for the period – Basic and diluted (expressed in HK cents per share)	7	0.40	0.17	1.11	1.07

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital	Special reserve	Retained profits	Subtotal	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2016	2	874	22,608	23,484	-	23,484
Profit and total comprehensive income for the period	-	-	9,317	9,317	-	9,317
Dividend declared and paid (Note 6)	-	-	(18,000)	(18,000)	-	(18,000)
Reorganisation (Note a)	(2)	2	-	-	-	-
Balance at 31 December 2016	-	876	13,925	14,801	-	14,801
Balance at 1 April 2015	1,007	-	12,651	13,658	(242)	13,416
Profit and total comprehensive income for the period	-	-	8,956	8,956	288	9,244
Balance at 31 December 2015	1,007	-	21,607	22,614	46	22,660

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

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

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

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on 11 February 2016 as an exempted company with limited liability.

The addresses of the registered office in Cayman Islands is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The address of its principal place of business is Unit 1310, Eastern Harbour Centre, No. 28 Hoi Chak Street, Quarry Bay, Hong Kong. The Company is an investment holding company. The Group is principally engaged in the provision of interior fitting-out, renovation, alteration and addition works services and interior design services.

The shares of the Company (the “**Share(s)**”) were listed on GEM by way of placing (the “**Listing**”) on 12 January 2017 (the “**Listing Date**”). Throughout the period, the group entities were collectively controlled by Mr. Cheung Ka Yan (“**Mr. Cheung**”) and Mr. Lam Shui Wah (“**Mr. Lam**”) (collectively referred to as the “**Controlling Shareholders**”). Accordingly, for the purpose of the preparation of the Financial Information of the Group, the Company has been considered as the holding company of the Group. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the common control of the Controlling Shareholders prior to and after the Reorganisation.

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

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

The Financial Information is presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

The Group has consistently adopted Hong Kong Accounting Standards (“HKASs”), Hong Kong Financial Reporting Standards (“HKFRS”), amendments and interpretations (“HK(IFRIC)-Int”) issued by the HKICPA which are effective for the Group’s financial period beginning on or after 1 April 2016.

The HKICPA has issued the following new and revised standards and amendments that are not yet effective for the financial period beginning 1 April 2016. The Group has not early adopted these standards and amendments.

HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ²
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ²
Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹

1 Effective for annual periods beginning on or after 1 January 2017.

2 Effective for annual periods beginning on or after 1 January 2018.

3 Effective for annual periods beginning on or after 1 January 2019.

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

3. REVENUE

HKFRS 8, *Operating Segments*, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the executive Directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the provision of interior fitting-out, renovation, alteration and addition works services and interior design services. Since this is the only operating segment of the Group, no further analysis for segment information is presented.

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

	Three months ended 31 Dec 2016 HK\$'000 (Unaudited)	Three months ended 31 Dec 2015 HK\$'000 (Unaudited)	Nine months ended 31 Dec 2016 HK\$'000 (Unaudited)	Nine months ended 31 Dec 2015 HK\$'000 (Unaudited)
Fitting-out and renovation services	18,283	14,624	53,342	55,252
Alteration and addition works services	10,206	7,664	40,165	32,502
Interior design services	1,294	2,450	7,307	3,797
	29,783	24,738	100,814	91,551

4. PROFIT BEFORE TAX

	Three months ended 31 Dec 2016 HK\$'000 (Unaudited)	Three months ended 31 Dec 2015 HK\$'000 (Unaudited)	Nine months ended 31 Dec 2016 HK\$'000 (Unaudited)	Nine months ended 31 Dec 2015 HK\$'000 (Unaudited)
Profit before tax has been arrived at after charging/(crediting):				
Auditors' remuneration	200	25	450	75
Depreciation of plant and equipment	88	63	260	189
Impairment loss recognised on trade receivables	–	–	608	411
Listing expenses	334	378	4,538	1,128
Net foreign exchange losses	1	34	4	34
Operating lease payments in respect of rented premises	119	106	359	318
Reversal of impairment loss recognised on trade receivables	–	–	(275)	–
Employee benefits expense:				
Salaries and other benefits	2,665	2,322	7,675	6,730
Contributions to retirement benefit scheme	27	10	69	32
Total employee benefits expense, including Directors' emoluments	2,692	2,332	7,744	6,762

5. INCOME TAX EXPENSE

	Three months ended 31 Dec 2016 HK\$'000 (Unaudited)	Three months ended 31 Dec 2015 HK\$'000 (Unaudited)	Nine months ended 31 Dec 2016 HK\$'000 (Unaudited)	Nine months ended 31 Dec 2015 HK\$'000 (Unaudited)
Current income tax:				
– Hong Kong Profits Tax	728	439	2,790	1,956
(Over)/under-provision in prior years/periods	–	–	–	–
Total income tax recognised in profit or loss	728	439	2,790	1,956

6. DIVIDENDS

An interim dividend HK\$18 million has been declared and paid by the Company in December 2016, before the Listing Date.

7. EARNINGS PER SHARE

For the purpose of this report, the calculation of basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company for the period and (ii) the weighted average number of 840,000,000 shares (comprising 20,000 shares in issue and 839,980,000 shares to be issued under the capitalisation issue as described in the section headed “Further information about our Company – Written resolutions of the existing Shareholders passed on 23 December 2016” in Appendix IV “Statutory and General Information” in the prospectus of the Company dated on 30 December 2016 (the “**Prospectus**”) as if these 840,000,000 shares were outstanding throughout the period.

The diluted earnings per share is equal to the basic earnings per share as there is no dilutive potential ordinary share in issue during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Our 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, our scope of works during the period was generally structural alterations, structural steel, signage works, building maintenance, refurbishment works and ground improvement.

OUTLOOK

The industry in which our Group operates is fragmented with a large number of players and is highly competitive on price. Nevertheless, as potential barriers to entry for higher value fitting-out, renovation works and A&A works projects are industry reputation and relationship with property developers and main contractors. Our Directors consider that our established track record coupled with our listing status will strengthen our competitiveness and enhance our reputation and our Directors are optimistic about our business outlook.

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately HK\$9.2 million, or 10.0%, from approximately HK\$91.6 million for the nine months ended 31 December 2015 to approximately HK\$100.8 million for the nine months ended 31 December 2016. Although revenue generated from fitting-out and renovation services decreased, such decrease was offset by the increase in revenue generated from A&A works and interior design services.

Direct costs

Our direct costs slightly increased by approximately HK\$2.8 million, or 3.8%, from approximately HK\$73.5 million for the nine months ended 31 December 2015 to approximately HK\$76.3 million for the nine months ended 31 December 2016, which was in line with the rise in revenue for the respective period.

Gross profit and gross profit margin

Our total gross profit increased by approximately HK\$6.5 million, or 36.1%, from approximately HK\$18.0 million for the nine months ended 31 December 2015 to approximately HK\$24.5 million, for the nine months ended 31 December 2016. Such increase was mainly attributable to (i) different project profit margin we charged to different clients; and (ii) effective cost control of our projects. Our gross profit margin increased from 19.7% for the nine months ended 31 December 2015 to 24.3% for the nine months ended 31 December 2016.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately HK\$4.6 million, or 67.6%, from approximately HK\$6.8 million for the nine months ended 31 December 2015 to approximately HK\$11.4 million for the nine months ended 31 December 2016. The increase in administrative and other operating expenses was mainly attributable to the recognition of listing expenses of approximately HK\$4.5 million during the nine months ended 31 December 2016 and the impairment loss on trade receivables of approximately HK\$0.6 million.

Profit for the period

As a result of the foregoing, our profit for the period increased by approximately HK\$0.1 million, or 1.1%, from approximately HK\$9.2 million for the nine months ended 31 December 2015 to approximately HK\$9.3 million for the nine months ended 31 December 2016.

USE OF PROCEEDS FROM PLACING

The net proceeds from the Listing (after deducting the underwriting fees and other listing expenses borne by the Company) amounted to approximately HK\$50 million which will be used for the intended purposes as set out in the section headed "Business Objectives and Use of Proceeds" of the Prospectus.

DIVIDEND

Other than the dividends are disclosed in Note 6, the board of Directors (the "**Board**") does not recommend the payment of dividend for the nine months ended 31 December 2016.

OTHER INFORMATION

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

The Shares were only listed on GEM on 12 January 2017 and therefore, the respective Division 7 and 8 of Part XV of the Securities and Futures Ordinance (“SFO”), Section 352 of the SFO and Rules 5.46 to 5.67 of the GEM Listing Rules (“**Model Code**”) were not applicable as at 31 December 2016.

As at the date of this report, the interests or short positions of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are 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 the Model Code, are as follows:

Long positions in Shares and underlying Shares

Name	Capacity/nature	Number of Shares held	Approximate percentage of shareholding
Mr. Lam (Note 2)	Interest in a controlled corporation	420,000,000	37.5%
Ms. Wong Wan Sze (Note 3)	Interest of spouse	420,000,000	37.5%

Notes:

1. All interests stated are long positions.
2. Mr. Lam beneficially owns the entire issued share capital of Summer Unicorn. 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.
3. Ms. Wong Wan Sze (“**Ms. Wong**”) is the spouse of Mr. Cheung. Therefore, Ms. Wong is deemed, or taken to be interested in all the Shares in which Mr. Cheung is interested for the purpose of the SFO.

As at the date of this report, none of the Directors or chief executive of the Company had any interests in the underlying Shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed above, as at the date of this report, none of the Directors or chief executives of the Company had any interests or short positions in the Shares or underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, the Shares were not listed on the GEM. The respective Division 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable.

As at the date of this report, 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	Number of Shares held	Approximate percentage of shareholding
Summer Unicorn	Beneficial owner	420,000,000	37.5%
Heavenly White	Beneficial owner	420,000,000	37.5%
Mr. Cheung (<i>Note 2</i>)	Interest in a controlled corporation	420,000,000	37.5%
Ms. Ngai Suet Ling (<i>Note 3</i>)	Interest of spouse	420,000,000	37.5%

Notes:

1. All interests stated are long positions.
2. Mr. Cheung beneficially owns the entire issued share capital of 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.
3. 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 the date of this report, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company whose interests are set out in the section "Other information-directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures" above, had any interest or a short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the Reorganisation for the listing as disclosed in the Prospectus, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31 December 2016.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the Controlling Shareholders or substantial shareholders 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, as defined in the GEM Listing Rules, or has any other conflict of interests with Group during the nine months ended 31 December 2016.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by the Directors from the Listing Date up to the date of this report.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted pursuant to the written resolutions of the Shareholders of our Company passed on 23 December 2016. The purpose of the Share Option Scheme is to enable our Company to grant options to select participants as incentives or rewards for their contribution to it. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group. This will be in accordance with Chapter 23 of the GEM Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set in the section headed "Statutory and General Information – D. Share option scheme" in Appendix IV to the Prospectus.

For the nine months ended 31 December 2016, 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 for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 9 September 2016, none of the Compliance Adviser or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE PRACTICE

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company's corporate governance practices are based on the principles of good corporate governance as set out in the Corporate Governance Code (the "CG Code") and Corporate Governance Report in Appendix 15 to the GEM Listing Rules and in relation to, among others, the Directors, chairman and chief executive officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with the shareholders of the Company.

The Company was listed on GEM on 12 January 2017. To the best knowledge of the Board, the Company has complied with the code provisions in the CG Code from the Listing Date up to the date of this report.

AUDIT COMMITTEE

The audit committee was established on 23 December 2016 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 and C.3.7 of CG Code. The audit committee currently comprises three independent non-executive Directors and is chaired by Ms. Tsang Ngo Yin. The other members are Mr. Ng Man Wai and Mr. Wu Wai Ki. The written terms of reference of the audit committee are posted on the GEM website and on the Company's website.

The primary duties of the audit committee are to review and supervise the financial reporting process, internal control procedures and risk management system of the Group.

The audit committee has reviewed the unaudited condensed consolidated financial statements and the results for the nine months ended 31 December 2016 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, 9 February 2017

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