



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

2020
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

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AUDITORS

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

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**REGISTERED OFFICE IN THE CAYMAN
ISLANDS**

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OF BUSINESS IN HONG KONG**

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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 2020, together with the comparative figures for the corresponding period in 2019, are as follows:

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

For the six months ended 30 September 2020

	Notes	Six months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	4	138,583	176,919
Direct costs		(124,982)	(152,544)
Gross profit		13,601	24,375
Other income, other gains and losses, net	5	1,299	104
Impairment losses under expected credit loss model, net of reversal		230	–
Administrative and other operating expenses		(6,615)	(10,642)
Finance costs	6	(572)	(500)
Profit before tax	7	7,943	13,337
Income tax expense	8	(1,725)	(3,100)
Profit and total comprehensive income for the period attributable to the owners of the Company		6,218	10,237
Basic and diluted earnings per share (HK cents)	10	0.56	0.91

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Non-current assets			
Plant and equipment	11	1,083	1,711
Right-of-use asset		2,410	373
Deposits and prepayments for life insurance policies		3,044	3,044
Deferred tax assets		492	492
		7,029	5,620
Current assets			
Trade and other receivables	12	87,484	68,439
Contract assets		40,039	43,167
Amounts due from related parties		811	785
Financial assets at fair value through profit or loss		11	12
Tax recoverable		458	1,159
Bank balances and cash		33,361	39,982
		162,164	153,544
Current liabilities			
Trade and other payables	13	8,170	9,334
Lease liability		1,211	405
Borrowings		35,974	32,726
		45,355	42,465
Net current assets		116,809	111,079
Total assets less current liabilities		123,838	116,699
Non-current liabilities			
Lease liability		921	–
Net assets		122,917	116,699

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2020

	Notes	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Capital and reserves			
Share capital	14	11,200	11,200
Reserves		111,717	105,499
Total equity		122,917	116,699

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	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 2020 (Audited)	11,200	53,085	876	51,538	116,699
Profit and total comprehensive income for the period	-	-	-	6,218	-
At 30 September 2020 (Unaudited)	11,200	53,085	876	57,756	122,917
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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(8,744)	(13,554)
NET CASH USED IN INVESTING ACTIVITIES	(58)	(24)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	2,181	(2,901)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,621)	(16,479)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	39,982	31,637
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	33,361	15,158

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 transferred to and listed on the Main Board of the Stock Exchange on 9 May 2019.

The Company is an investment holding company. The Group is principally engaged in the provision of interior fitting-out, renovation, alteration and addition (“**A&A**”) works services and interior design services.

The interim condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is 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 with 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 2020.

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

3. PRINCIPAL ACCOUNTING POLICIES

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the *Amendments to References to the Conceptual Framework* in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group’s interim condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>
Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>

Except as described below, the application of the *Amendments to References to the Conceptual Framework* in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

Impacts of application on Amendments to HKAS 1 and HKAS 8 *"Definition of Material"*

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the interim condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 March 2021.

Impacts and accounting policies on application of Amendments to HKFRS 3 *"Definition of a Business"*

Accounting policies

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 April 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Transition and summary of effects

The amendments had no impact on the interim condensed consolidated financial statements of the Group.

4. 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.

Disaggregation of revenue from contracts with customers:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Types of goods and services:		
Fitting-out and renovation services	36,880	152,443
Alteration and addition works services	99,659	23,773
Interior design services	2,044	703
Total	138,583	176,919

5. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	3	–
Dividend income from listed equity securities	1	1
Government grants – Employment support Scheme <i>(Note)</i>	1,026	–
Sundry income	270	101
	1,300	102
Other gains and losses, net		
(Loss)/gain arising on financial assets measured at fair value through profit or loss	(1)	2
	(1)	2
	1,299	104

Note: The amount represents salaries and wages subsidies granted under Anti-Epidemic Fund by the Government of the Hong Kong Special Administrative Region for the use of paying wages of employees from June to August 2020.

6. FINANCE COSTS

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings and overdrafts	557	471
Interest expense on lease liability	15	29
	572	500

7. PROFIT BEFORE TAX

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before tax has been arrived at after charging:		
Auditors' remuneration	360	500
Depreciation of plant and equipment	686	888
Depreciation of right-of-use asset	185	538
Employee benefits expense:		
Salaries and other benefits	7,390	10,105
Contributions to retirement benefit scheme	290	356
Total employee benefits expense, including directors' emoluments	7,680	10,461

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong profits tax	1,725	3,100

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%.

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

9. DIVIDEND

The Directors did not recommend a payment of an interim dividend for the six months ended 30 September 2020 (2019: Nil).

10. EARNINGS PER SHARE

	Six months ended 30 September	
	2020	2019
	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	6,218	10,237
	2020	2019
	'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 2020 and 2019.

11. PLANT AND EQUIPMENT

During the reporting period, the Group acquired plant and equipment of approximately HK\$58,000 (31 March 2020: approximately HK\$25,000).

12. TRADE AND OTHER RECEIVABLES

The Group's generally grants a credit period of 30 days to its customers.

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Trade receivables	79,351	64,471
Less: Allowance for credit losses	(10,353)	(11,516)
	68,998	52,955
Other receivables, prepayments and deposits	18,540	15,901
Less : Allowance for credit losses	(54)	(417)
	87,484	68,439

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

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
0–30 days	60,114	19,994
31–60 days	545	567
61–90 days	1,698	5,102
91–180 days	935	21,236
over 180 days	16,059	17,572
	79,351	64,471
Less: Allowance for credit losses	(10,353)	(11,516)
	68,998	52,955

13. TRADE AND OTHER PAYABLES

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

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Trade payables	3,996	4,998
Other payables and accruals	4,174	4,336
	8,170	9,334

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

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
0–30 days	3,812	4,341
31–60 days	–	165
61–90 days	10	27
91–180 days	38	436
over 180 days	136	29
	3,996	4,998

14. 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 2020 and 30 September 2020	2,000,000,000	20,000
Issued and fully paid:		
At 31 March 2020 and 30 September 2020	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) A&A works for residential, industrial and commercial properties in Hong Kong. The Group has been running its business since 2005 and gained extensive experience and reputation in the industry. Ample Construction Company Limited (“**Ample Construction**”), the Company’s principal operating subsidiary for the contracting businesses, has been registered as the Registered General Building Contractor under the Building Authority since 2006 and is approved to carry out A&A works, including general building works and street works under the Buildings Ordinance. Ample Design Company Limited, the design department of the Group, provides interior design services to clients.

The fitting-out and renovation services mainly include interior fitting-out and renovation works for shops and offices in commercial and industrial properties and residential premises. For A&A works, the scope of works generally includes structural alterations, structural steel, signage works, building maintenance, refurbishment works and ground improvement.

The Group experienced a decrease in net profit for the six months ended 30 September 2020 compared to the corresponding period last year. Such decrease was mainly attributable to (i) the decrease in revenue due to a decline in the number of projects undertaken during the period as a result of the outbreak of the novel coronavirus (“**COVID-19**”) pandemic; and (ii) the decrease in gross profit margin due to the adoption of competitive project pricing in response to the intense market competition amid the COVID-19 pandemic.

Looking forward, the second half of 2020 will remain challenging as the impact of COVID-19 pandemic is still uncertain especially when COVID-19 pandemic is still prevalent globally. The COVID-19 pandemic adversely affected businesses in Hong Kong, which in turn had a drastic effect on the Hong Kong economy. The commercial industry in Hong Kong was hard hit and the number of projects available in the market decreased substantially. The market competition therefore intensified and contractors have had to adopt a more competitive pricing strategy in tendering projects in response to such business environment. In addition, to prevent the spread of the virus, workers engaged at the same site have had to work separately, delaying project progress, which has in turn resulted in higher operating costs. In view of such business environment, the Group will remain cautious about the volatile and challenging economic development of Hong Kong.

FINANCIAL REVIEW

Revenue

The revenue decreased from approximately HK\$176.9 million for the six months ended 30 September 2019 to approximately HK\$138.6 million for the six months ended 30 September 2020, representing a decrease of approximately HK\$38.3 million or approximately 21.7%. Such decrease was mainly due to the decrease in the number of fitting-out and renovation projects undertaken by the Group for the six months ended 30 September 2020.

Direct Costs

The direct costs decreased from approximately HK\$152.5 million for the six months ended 30 September 2019 to approximately HK\$125.0 million for the six months ended 30 September 2020, representing a decrease of approximately HK\$27.5 million or approximately 18.0%. Such decrease was mainly attributable to the decrease in subcontracting charges and direct labour cost for the period.

Gross Profit and Gross Profit Margin

Gross profit of the Group decreased by approximately 44.3% from approximately HK\$24.4 million for the six months ended 30 September 2019 to approximately HK\$13.6 million for the six months ended 30 September 2020. Such decrease was mainly due to the decrease in revenue and the decrease in gross profit margin. As a result of the adoption of competitive project pricing in response to the intense market competition during the period, the gross profit margin decreased from approximately 13.8% for the six months ended 30 September 2019 to approximately 9.8% for the six months ended 30 September 2020.

Administrative and other Operating Expenses

Administrative and other operating expenses of the Group decreased by approximately 37.7% from approximately HK\$10.6 million for the six months ended 30 September 2019 to approximately HK\$6.6 million for the six months ended 30 September 2020. The decrease in administrative and other operating expenses was mainly due to a decrease in staff costs for the six months ended 30 September 2020.

Finance Costs

Finance costs of the Group slightly increased from approximately HK\$0.5 million for the six months ended 30 September 2019 to approximately HK\$0.6 million for the six months ended 30 September 2020. Finance costs consist of interest on bank borrowings and overdrafts as well as the interest expense on the lease liability.

Profit and total comprehensive income for the period attributable to the owners of the Company

As a result of the foregoing, the Group's profit for the period decreased by approximately HK\$4.0 million, or approximately 39.2%, from approximately HK\$10.2 million for the six months ended 30 September 2019 to approximately HK\$6.2 million for the six months ended 30 September 2020.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2020, the Group had total assets of approximately HK\$169.2 million (31 March 2020: approximately HK\$159.2 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$46.3 million (31 March 2020: approximately HK\$42.5 million) and approximately HK\$122.9 million (31 March 2020: approximately HK\$116.7 million), respectively.

The Group maintained a healthy financial position during the period. As at 30 September 2020, the Group had bank balances and cash of approximately HK\$33.4 million (31 March 2020: approximately HK\$40.0 million). The total interest-bearing borrowings (interest-bearing bank borrowings and bank overdrafts) of the Group as at 30 September 2020 were approximately HK\$36.0 million (31 March 2020: approximately HK\$32.7 million), and current ratio as at 30 September 2020 was approximately 3.6 times (31 March 2020: approximately 3.6 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 2020 was approximately 31.0% (31 March 2020: approximately 28.4%). The increase in the Group's gearing ratio was mainly due to the increase in 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

At 30 September 2020, the Group pledged bank deposits amounted to approximately HK\$6.0 million to a bank as collateral to secure banking facilities granted to the Group (31 March 2020: approximately HK\$6.0 million).

At 30 September 2020, the Group pledged its life insurance policies to a bank of approximately HK\$3.0 million to secure the banking facilities granted to the Group (31 March 2020: approximately HK\$3.0 million).

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

FOREIGN EXCHANGE EXPOSURE

All of the revenue-generating operations and borrowings of the Group 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 2020, 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 2020 (31 March 2020: Nil).

SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed on Note 4 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 2020.

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

During the six months ended 30 September 2020, the Group did not have any significant investments held, nor did the Group have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

CONTINGENT LIABILITIES

Certain customers of construction contracts undertaken by the Group require Ample Construction to issue guarantees for the performance of contract works in the form of surety bonds, which amounted to approximately HK\$14,065,000 as at 30 September 2020 (31 March 2020: approximately HK\$9,260,000). The Company and Ample Construction have unconditionally and irrevocably agreed to indemnify the insurance company that issued such surety bonds for claims and losses the insurance company may incur in respect of the surety bonds. The surety bonds will be released when the contracts are completed or substantially completed pursuant to the relevant contract. As at 30 September 2020, the Group paid a cash collateral of approximately HK\$3,411,000 (31 March 2020: approximately HK\$2,081,000) to an insurance company for the issuance of surety bonds which are included in other receivables, prepayments and deposits.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2020, the Group employed a total of 49 employees (2019: 88). The staff costs, including Directors' emoluments, of the Group were approximately HK\$7.7 million for the six months ended 30 September 2020 (2019: approximately HK\$10.5 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 2020 (2019: Nil).

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 September 2016 (the “Prospectus”) with the Group’s actual business progress to 30 September 2020 is set out below:

Business strategies as stated in the Prospectus	Business objectives up to 30 September 2020 as stated in the Prospectus	Actual business progress up to 30 September 2020
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 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	<p>The Group has used approximately 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.</p> <p>The Group has used approximately 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.</p>

**Business strategies
as stated in the
Prospectus**

**Business objectives
up to 30 September 2020
as stated in the Prospectus**

**Actual business progress
up to 30 September 2020**

	<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 approximately 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\$1.4 million to employ two designers and one project manager (interior design) to develop the Company's interior design and fitting-out business.

**Business strategies
as stated in the
Prospectus**

**Business objectives
up to 30 September 2020
as stated in the Prospectus**

**Actual business progress
up to 30 September 2020**

- 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. Under the outbreak of COVID-19, some competitions have been postponed or cancelled and longer time was required to look for appropriate interior design competition.
- 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. Under the outbreak of COVID-19, some exhibitions have been postponed or cancelled and longer time was required to look for appropriate interior design exhibition.
- 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 approximately 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.
- Identify suitable candidates to fill two designer posts and one project manager (interior design) openings

The Group has recruited two designers and one project manager (interior design).

**Business strategies
as stated in the
Prospectus**

**Business objectives
up to 30 September 2020
as stated in the Prospectus**

**Actual business progress
up to 30 September 2020**

Expand manpower for project execution and strengthen the skills of the Group's staff

- Identify suitable candidates to fill the Group's openings of one project manager and one project coordinator with relevant experiences

The Group has used approximately HK\$0.8 million to employ one experienced project manager and one project coordinator.

- Continue to assess the sufficiency of the labour resources having regard to the Group's project execution need and business development demand

The Group has spent approximately HK\$6.0 million to employ one site foreman and two project assistants, two project managers and one accounting officer to strengthen the Group's project execution.

- 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 has organised 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.

- 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 approximately 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

- Maintain the business development department which is to be headed by Ms. Wong Wan Sze, the executive Director

The Group has spent approximately HK\$1.6 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 2020
as stated in the Prospectus**

**Actual business progress
up to 30 September 2020**

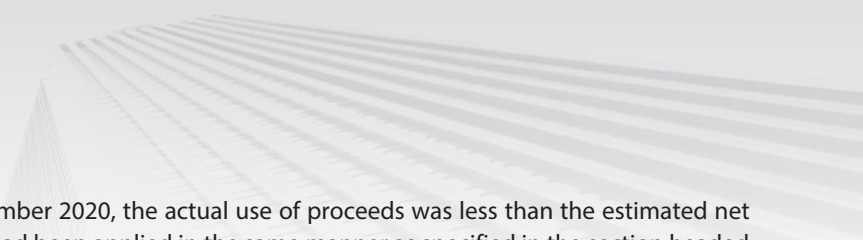
- Maintain the Group's quantity surveying team which will consist of one quantity survey manager, one quantity surveyor and one project assistant, with sufficient relevant quantity surveying experience, which will assist the Group in preparing tenders, payment applications and controlling project costs
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 approximately HK\$1.4 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 approximately HK\$83,000 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 2020 is set out below:

	Planned use of net proceeds as stated in the Prospectus up to 30 September 2020 HK\$'000	Actual use of net proceeds up to 30 September 2020 HK\$'000	Unutilised net proceeds up to 30 September 2020 HK\$'000	Date by which net proceeds are expected to be fully utilised
Participate further in large scale fitting-out, renovation and A&A projects and enlarge the Group's market share in HK	18,022	18,022	-	-
Participate in competitions and exhibitions to promote and develop the Group's interior design and fitting-out business	8,704	3,910	4,794	30 September 2021
Expand the Group's manpower for projects execution and strengthen the skills of the Group's staff	9,933	9,933	-	-
Strengthen the Group's business development and quantity surveying and enhance the Group's marketing resources	9,421	6,660	2,761	31 March 2021
General working capital	5,120	5,120	-	-
Total	51,200	43,645	7,555	



As at 30 September 2020, the actual use of proceeds was less than the estimated net proceeds but had been applied in the same manner as specified in the section headed “Business Objective and Use of Proceeds” of the Prospectus. The net proceeds of approximately HK\$7.6 million had not yet been utilised as at 30 September 2020 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 2020 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 2020, 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 (<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	387,000,000	34.6%

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 2020, 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 2020, the following persons/entities (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share 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 and 3)	Beneficial owner	387,000,000	34.6%
Mr. Cheung (Note 1)	Interest in a controlled corporation	387,000,000	34.6%
Ms. Ngai Suet Ling (Note 2)	Interest of spouse	420,000,000	37.5%
TianXing Vermilion Bird Limited (Note 3)	Beneficial owner	324,800,000	29.0%

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.
- (3) On 2 December 2019, Heavenly White, as vendor, entered into a sale and purchase agreement with TianXing Vermilion Bird Limited, as purchaser, to sell 324,800,000 Shares (representing 29.0% of the total issued share capital of the Company) (the “**Disposal**”). As at the date of this report, 33,000,000 Shares has been sold and delivered, while the remainder of the Disposal is not yet completed.

Save as disclosed above, as at 30 September 2020, 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 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 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 2020.

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 2020.

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 2020.

SHARE OPTIONS SCHEMES

The Company's share option scheme (the "**Scheme**") was conditionally adopted pursuant to a resolution passed on 23 December 2016 to attract and retain the best available personnel, to provide additional incentive to the eligible participants and to promote the success of the business of the Group under the Scheme.

Under the Scheme, the Directors may at their absolute discretion and subject to the terms of the Scheme, grant options to any employee (full-time or part-time), director, substantial shareholder, consultant or adviser, distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, to subscribe for shares of the Company. The eligibility of any participant to the grant of any option shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

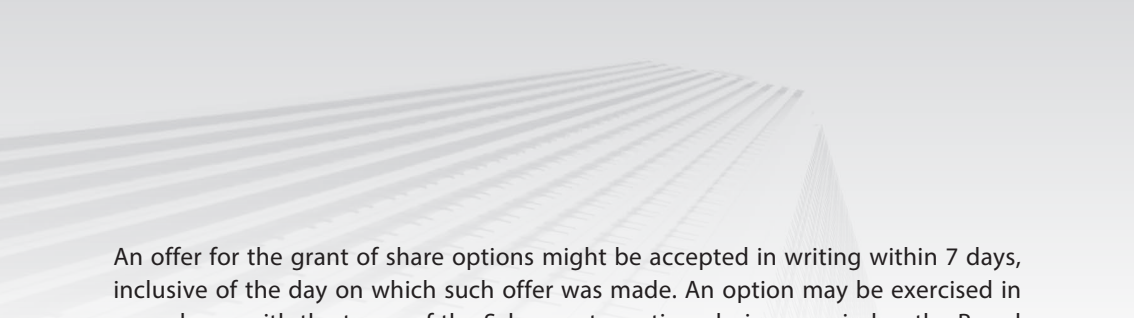
The subscription price shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of the Company's shares on the date of grant of the option.



The maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company as from the adoption date (excluding, for this purpose, the shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the shares in issue as at the Listing Date. Therefore, it is expected that the Company may grant options in respect of up to 112,000,000 shares (or such numbers of shares as shall result from a sub-division or a consolidation of such 112,000,000 shares from time to time) to the participants under the Scheme.

The total number of shares issued and which may fall to be issued upon exercise of the options and the options granted under the Scheme (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company. Where any further grant of options to a grantee would result in the shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant requires approval of the shareholders of the Company in general meeting with such grantee and his associates abstaining from voting.

The maximum number of shares issued and to be issued upon exercise of the options granted under the Scheme to each of any eligible persons (including those cancelled, exercised and outstanding options), in any 12 months period up to the date of the latest grant shall not exceed 1% of the Company's shares in issue provided that the number of shares issued and to be issued upon exercise of all options granted and to be granted to each of the independent non-executive directors or substantial shareholders of the Company or any of their respective associates in the 12 months period up to the date of such grant in excess of 0.1% of the Company's shares in issue and with a value in excess of HK\$5 million must be approved in advance by the Company's independent shareholders. Any further grant of options in excess of such limit requires the approval of the shareholders in general meeting in accordance with the requirements of the Listing Rules.



An offer for the grant of share options might be accepted in writing within 7 days, inclusive of the day on which such offer was made. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. The amount payable by the grantee to the Company on acceptance of the offer for the grant of an option is HK\$1.

The Scheme will remain in force for a period of ten years commencing on 23 December 2016, subject to early termination provisions contained in the Scheme.

For the six months ended 30 September 2020, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

UPDATE ON DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, an update on the information of a Director is set out below:

Ms. Tsang Ngo Yin, an independent non-executive Director, has been appointed as the chief financial officer, company secretary and authorised representative of DTXS Silk Road Investment Holdings Company Limited, a company listed on main board of the Stock Exchange (Stock Code: 620) all with effect from 2 November 2020.

CORPORATE GOVERNANCE PRACTICE

The Company acknowledges 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 2020, 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, an independent non-executive Director, and the other members include Mr. Ng Man Wai and Mr. Wu Wai Ki, each an independent non-executive Director. 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 2020, 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, 26 November 2020