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LKS HOLDING GROUP LIMITED

樂嘉思控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8415)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2017

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This announcement, 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 GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME – UNAUDITED**

The unaudited condensed consolidated results of the Group for the three months ended 30 June 2017, together with the audited comparative figures for the corresponding period in 2016, are as follows:

	<i>Note</i>	Three months ended	
		2017	2016
		HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Revenue	3	46,333	30,252
Direct costs		(36,787)	(22,371)
Gross profit		9,546	7,881
Other losses		(137)	(285)
Administrative and other operating expenses		(4,321)	(2,375)
Operating profit		5,088	5,221
Finance costs		(74)	(63)
Profit before income tax		5,014	5,158
Income tax expense	5	(1,040)	(773)
Profit and total comprehensive income for the period		3,974	4,385
Profit and total comprehensive income for the period attributable to owners of the Company		3,974	4,385
Earnings per share attributable to the owners of the Company for the period			
– Basic and diluted (expressed in HK cents per share)	7	0.35	0.52

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 April 2017 (Audited)	11,200	53,085	876	17,818	82,979
Profit and total comprehensive income for the period	—	—	—	3,974	3,974
Balance at 30 June 2017 (Unaudited)	<u>11,200</u>	<u>53,085</u>	<u>876</u>	<u>21,792</u>	<u>86,953</u>
Balance at 1 April 2016 (Audited)	2	—	874	22,608	23,484
Profit and total comprehensive income for the period	—	—	—	4,385	4,385
Balance at 30 June 2016 (Audited)	<u>2</u>	<u>—</u>	<u>874</u>	<u>26,993</u>	<u>27,869</u>

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 three months ended 30 June 2016 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 three months ended 30 June 2016.

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 unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

(a) The following new and amended standards have been adopted by the Group for the first time for the financial period beginning on or after 1 January 2017:

Annual Improvements Project (Amendment) – HKFRS 12	Annual Improvements 2014 – 2016 Cycle
HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the above HKFRSs did not have any significant financial impact on the unaudited condensed consolidated financial statements.

(b) The following new standards and revisions to standards have been issued, but are not effective for the financial year beginning 1 January 2017 and have not been early adopted by the Group:

Annual Improvements Project (Amendments) – HKFRS 1 and HKAS 28	Annual Improvements 2014-2016 Cycle ¹
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions ¹
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 15 (Amendment)	Clarifications to HKFRS 15 ¹
HKAS 40 (Amendment)	Transfers of Investment Property ¹
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HKFRS 16	Leases ²
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

1. Effective for annual periods beginning on or after 1 January 2018.
2. Effective for annual periods beginning on or after 1 January 2019.
3. Effective for annual periods beginning on or after a date to be determined.

The Group will apply the above HKFRSs when they become effective. The Group is in the process of making an assessment of the impact of the above HKFRSs.

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 30 June 2017 <i>HK\$'000</i> (Unaudited)	Three months ended 30 June 2016 <i>HK\$'000</i> (Audited)
Fitting-out and renovation services	45,239	19,607
Alteration and addition works services	–	8,667
Interior design services	1,094	1,978
	46,333	30,252

4. PROFIT BEFORE TAX

	Three months ended 30 June 2017 HK\$'000 (Unaudited)	Three months ended 30 June 2016 HK\$'000 (Audited)
Profit before tax has been arrived at after charging/(crediting):		
Auditors' remuneration	150	25
Depreciation of plant and equipment	89	85
Impairment loss recognised on trade receivables	–	312
Listing expenses	–	346
Operating lease payments in respect of rented premises	120	120
Reversal of impairment loss recognised on trade receivables	–	(275)
Employee benefits expense:		
Salaries and other benefits	1,746	2,397
Contributions to retirement benefit scheme	18	81
Total employee benefits expense, including Directors' emoluments	<u>1,764</u>	<u>2,478</u>

5. INCOME TAX EXPENSE

	Three months ended 30 June 2017 HK\$'000 (Unaudited)	Three months ended 30 June 2016 HK\$'000 (Audited)
Current income tax:		
– Hong Kong Profits Tax	<u>1,040</u>	<u>773</u>

6. DIVIDENDS

The Directors does not recommend the payment of dividend for the three months ended 30 June 2017 (three months ended 30 June 2016: Nil).

7. EARNINGS PER SHARE

	Three months ended 30 June 2017 <i>HK\$'000</i> (Unaudited)	Three months ended 30 June 2016 <i>HK\$'000</i> (Audited)
Earnings:		
Profit and total comprehensive income for the period attributable to owners of the Company for the purpose of basic earnings per share	<u><u>3,974</u></u>	<u><u>4,385</u></u>
	2017 '000	2016 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u><u>1,120,000</u></u>	<u><u>840,000</u></u>

The weighted average number of ordinary shares for the purpose of basic earnings per share for the three months ended 30 June 2017 was derived from 1,120,000,000 ordinary shares in issue.

The weighted average number of ordinary shares for the purpose of basic earnings per share for the three months ended 30 June 2016 was derived from 840,000,000 ordinary shares (comprising 20,000 ordinary shares in issue and 839,980,000 ordinary shares to be issued under the capitalisation issue), as if these 840,000,000 ordinary 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 three months ended 30 June 2017 and 2016.

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. The Group has been running the business since 2005 and gained extensive experience and reputation in the industry.

The Group’s fitting-out and renovation services mainly include interior fitting-out and renovation works for shops and offices in commercial and industrial properties and residential premises. For A&A works, the Group’s 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 the Group operates is fragmented with a large number of players and is highly competitive on pricing. Nevertheless, the potential barriers to entry for winning higher value fitting-out services, renovation services and A&A works are industry reputation and relationship with property developers and main contractors. The Directors consider that the established track record coupled with the listing status will strengthen the Group’s competitiveness and enhance its reputation. The Directors are optimistic about the business outlook.

FINANCIAL REVIEW

Revenue

The revenue increased by approximately HK\$16.0 million, or 53.2%, from approximately HK\$30.3 million for the three months ended 30 June 2016 to approximately HK\$46.3 million for the three months ended 30 June 2017. Although revenue generated from alteration and additions works services decreased, such decrease was offset by the increase in revenue generated from fitting-out and renovation works. Such increase was mainly due to a significant increase in the renovation works projects undertaken by the group for the three months ended 30 June 2017.

Direct costs

The direct costs increased by approximately HK\$14.4 million, or 64.4%, from approximately HK\$22.4 million for the three months ended 30 June 2016 to approximately HK\$36.8 million for the three months ended 30 June 2017, which was in line with the rise in revenue for the respective period.

Gross profit and gross profit margin

The total gross profit increased by approximately HK\$1.6 million, or 21.1%, from approximately HK\$7.9 million for the three months ended 30 June 2016 to approximately HK\$9.5 million, for the three months ended 30 June 2017. Such increase was mainly attributable to different projects profit margin the Group charged to different clients. The gross profit margin decreased from 26.1% for the three months ended 30 June 2016 to 20.6% for the three months ended 30 June 2017.

Administrative and other operating expenses

The administrative and other operating expenses increased by approximately HK\$1.9 million, or 81.9%, from approximately HK\$2.4 million for the three months ended 30 June 2016 to approximately HK\$4.3 million for the three months ended 30 June 2017. The increase in administrative and other operating expenses was mainly due to an increase in legal and professional fees and listing maintenance expenses for the three months ended 30 June 2017.

Profit for the period

As a result of the foregoing, the Group's profit for the period decreased by approximately HK\$0.4 million, or 9.4%, from approximately HK\$4.4 million for the three months ended 30 June 2016 to approximately HK\$4.0 million for the three months ended 30 June 2017.

DIVIDEND

The board of Directors (the “**Board**”) does not recommend the payment of dividend for the three months ended 30 June 2017.

OTHER INFORMATION

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

As at 30 June 2017, 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions), or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which are required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, are as follows:

Long positions in the Shares and underlying Shares

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

Notes:

1. Mr. Lam beneficially owns the entire issued share capital of Summer Unicorn Limited (“**Summer Unicorn**”) which directly holds 37.5% of the Shares. Therefore, Mr. Lam is deemed, or taken to be, interested in all the Shares held by Summer Unicorn for the purpose of the SFO. Mr. Lam is the sole director of Summer Unicorn.
2. Ms. Wong Wan Sze (“**Ms. Wong**”) is the spouse of Mr. Cheung. 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 June 2017, none of the Directors and chief executives of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2017, 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	Approximate percentage of shareholding
Summer Unicorn	Beneficial owner	420,000,000	37.5%
Heavenly White Limited (<i>Note 1</i>)	Beneficial owner	420,000,000	37.5%
Mr. Cheung (<i>Note 1</i>)	Interest in a controlled corporation	420,000,000	37.5%
Ms. Ngai Suet Ling (<i>Note 2</i>)	Interest of spouse	420,000,000	37.5%

Notes:

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

Save as disclosed above, as at 30 June 2017, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company, had any interests or a short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the three months ended 30 June 2017.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the Controlling Shareholders or substantial shareholders (as defined in the GEM Listing Rules) of the Company or any of its respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, or has or may have any other conflict of interests with Group during the three months ended 30 June 2017.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted Rules 5.48 to 5.68 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors (the “**Required Standard of Dealing**”). Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Required Standard of Dealing during the three months ended 30 June 2017.

SHARE OPTION SCHEME

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

For the three months ended 30 June 2017, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by the Group’s compliance adviser, Frontpage Capital Limited (the “**Compliance Adviser**”), save as the compliance adviser agreement entered into between the Company and the Compliance Adviser, none of the Compliance Adviser or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE PRACTICE

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

To the best knowledge of the Board, the Company has complied with the code provisions in the CG Code during the three months ended 30 June 2017 and up to the date of this announcement.

AUDIT COMMITTEE

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

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

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

The Audit Committee has reviewed the unaudited condensed consolidated financial statements and the results for the three months ended 30 June 2017 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, 3 August 2017

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