# 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)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

### FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of LKS Holding Group Limited (the "**Company**") is pleased to announced the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2019, together with the comparative figures for the year ended 31 March 2018.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2019*

| | Notes | **2019** | 2018 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| Revenue | *4* | **251,386** | 240,798 |
| Direct costs | | **(198,102)** | (195,517) |
| Gross profit | | **53,284** | 45,281 |
| Other income, other gains and losses, net | *5* | **212** | 1,382 |
| Impairment losses, net of reversal | | **(12,095)** | (3,217) |
| Administrative and other operating expenses | | **(19,784)** | (15,415) |
| Finance costs | *6* | **(685)** | (659) |
| Profit before tax | *7* | **20,932** | 27,372 |
| Income tax expense | *8* | **(4,803)** | (5,432) |
| **Profit and total comprehensive income for the year attributable to owners of the Company** | | **16,129** | 21,940 |
| **Earnings per share** | | | |
| – Basic and diluted (HK cents) | *10* | **1.44** | 1.96 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 March 2019*

| | Notes | **2019** | 2018 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Non-current assets** | | | |
| Plant and equipment | | **3,463** | 4,977 |
| Deposits and prepayments for life insurance policies | | **2,996** | 2,913 |
| Deferred tax assets | | **2,151** | – |
| | | **8,610** | 7,890 |
| **Current assets** | | | |
| Trade and other receivables | *11* | **84,394** | 61,323 |
| Contract assets | | **28,312** | – |
| Amounts due from customers for contract work | | **–** | 36,939 |
| Amounts due from related parties | | **765** | 730 |
| Held-for-trading investments | | **–** | 17 |
| Financial assets at fair value through profit or loss | | **15** | – |
| Current tax recoverable | | **25** | – |
| Bank balances and cash | | **31,637** | 43,104 |
| | | **145,148** | 142,113 |
| **Total assets** | | **153,758** | 150,003 |
| **Current liabilities** | | | |
| Trade and other payables | *12* | **13,013** | 15,333 |
| Amounts due to customers for contract work | | **–** | 4,499 |
| Borrowings | | **24,198** | 24,332 |
| Current tax liabilities | | **891** | 768 |
| | | **38,102** | 44,932 |
| **Net current assets** | | **107,046** | 97,181 |
| **Total assets less current liabilities** | | **115,656** | 105,071 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **–** | 152 |
| **Net assets** | | **115,656** | 104,919 |
| **Capital and reserves** | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | **11,200** | 11,200 |
| Reserves | | **104,456** | 93,719 |
| **Total equity** | | **115,656** | 104,919 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 March 2019*

| | Attributable to owners of the Company | | | | |
|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Special reserve** | **Retained profits** | **Total equity** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Balance at 1 April 2017 | 11,200 | 53,085 | 876 | 17,818 | 82,979 |
| Profit and total comprehensive income for the year | – | – | – | 21,940 | 21,940 |
| Balance at 31 March 2018 | 11,200 | 53,085 | 876 | 39,758 | 104,919 |
| Effect on initial application of HKFRS 15 | – | – | – | (5,392) | (5,392) |
| Balance at 1 April 2018 | 11,200 | 53,085 | 876 | 34,366 | 99,527 |
| Profit and total comprehensive income for the year | – | – | – | 16,129 | 16,129 |
| **Balance at 31 March 2019** | **11,200** | **53,085** | **876** | **50,495** | **115,656** |

## Notes:

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 11 February 2016 as an exempted company with limited liability. The shares of the Company were successfully listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 January 2017.

The Company's shares are currently listed on the Main Board of the Stock Exchange. Dealings in the shares on the Main Board commenced on 9 May 2019 pursuant to the approval granted by the Stock Exchange for the transfer of listing of the shares from the GEM to the Main Board of the Stock Exchange.

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

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

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

### 2. APPLICATION OF NEW AND AMENDMENTS HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

**New and amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") for the first time in the current year:

| | |
|---|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments |
| HK(IFRIC)-Int 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| Amendments to HKAS 28 | As part of the Annual Improvements to HKFRSs 2014-2016 Cycle |
| Amendments to HKAS 40 | Transfers of Investment Property |

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### 2.1 HKFRS 15 *Revenue from Contracts with Customers – Impact of adoption*

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

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

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Provision of interior fitting-out, renovation, alteration and addition works services; and

- Provision of interior design services.

***Summary of effects arising from initial application of HKFRS 15***

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

| | Carrying amounts previously reported at 31 March 2018 | Impact of HKFRS 15 | Carrying amounts under HKFRS 15 at 1 April 2018* |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Current assets** | | | |
| Trade and other receivables | 61,323 | (11,891) | 49,432 |
| Contract assets | – | 37,874 | 37,874 |
| Amounts due from customers for contract work | 36,939 | (36,939) | – |
| Current tax recoverable | – | 344 | 344 |
| **Current liabilities** | | | |
| Amounts due to customers for contract work | 4,499 | (4,499) | – |
| Current tax liabilities | 768 | (721) | 47 |
| **Capital and reserves** | | | |
| Retained profits | 39,758 | (5,392) | 34,366 |

* The amounts in this column are before the adjustments from the initial application of HKFRS 9.

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Under HKFRS 15, revenue is recognised when a customer obtains control of goods or services. Determining the timing of the transfer of control over time requires judgement. Management assessed that revenue from provision of interior fitting-out, renovation, alteration and addition works services and interior design services are recognised over-time.

In relation to construction contracts previously accounted under HKAS 11, the Group continues to apply output method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. Under HKAS 11, contract costs are recognised as expenses by reference to the stage of completion, which is measured by reference to work performed to date as a percentage of total contract value. Under HKFRS 15, costs that related to satisfied performance obligations are expensed as incurred. In addition, at the date of initial application of HKFRS 15, retention receivables previously included in trade and other receivables are now included under contract assets. Accordingly, upon adoption of HKFRS 15, contract assets and current tax recoverable were increased by approximately HK$37,874,000 and HK$344,000 respectively, amounts due from customers for contract work, trade and other receivables, amounts due to customers for contract work and current tax liabilities were decreased by approximately HK$36,939,000, HK$11,891,000, HK$4,499,000 and HK$721,000, respectively, as at 1 April 2018, which resulted in a decrease in opening retained profits at 1 April 2018 by approximately HK$5,392,000, after net of tax effect of approximately HK$1,065,000.

### 2.2 HKFRS 9 *Financial Instruments – Impact of adoption*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities; (2) expected credit losses ("**ECL**") for financial assets and lease receivables; and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

***Summary of effects arising from initial application of HKFRS 9***

***(i) Financial assets at fair value through profit or loss ("FVTPL")***

The Group has reassessed its investments in equity securities classified as held for trading under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, HK$17,000 of the Group's investments were held for trading and continued to be measured at FVTPL.

***(ii) Impairment under ECL model***

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. The ECL on these assets are assessed individually and/or collectively with appropriate grouping based on same risk characteristics.

ECL for other financial assets at amortised cost, including other receivables and bank balances, are assessed on 12-month ECL basis as there have been no significant increase in credit risk since initial recognition.

There is no material impact on the Group's accumulated loss allowance recorded on financial assets at 1 April 2018 upon initial adoption of the ECL requirements under HKFRS 9.

### 2.3 Impacts on opening consolidated statement of financial position arising from the application of HKFRS 15 and HKFRS 9

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

| | 31 March 2018 As originally presented | HKFRS 15 | HKFRS 9 | 1 April 2018 Restated |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Current assets** | | | | |
| Trade and other receivables | 61,323 | (11,891) | – | 49,432 |
| Contract assets | – | 37,874 | – | 37,874 |
| Amounts due from customers for contract work | 36,939 | (36,939) | – | – |
| Held-for-trading investments | 17 | – | (17) | – |
| Financial assets at fair value through profit or loss | – | – | 17 | 17 |
| Current tax recoverable | – | 344 | – | 344 |
| **Current liabilities** | | | | |
| Amounts due to customers for contract work | 4,499 | (4,499) | – | – |
| Current tax liabilities | 768 | (721) | – | 47 |
| **Capital and reserves** | | | | |
| Retained profits | 39,758 | (5,392) | – | 34,366 |

**New and amendments to HKFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 16 | Leases[1] |
| HKFRS 17 | Insurance Contracts[2] |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments[1] |
| Amendments to HKFRS 3 | Definition of a Business[3] |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5] |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material[4] |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement[1] |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015-2017 Cycle[1] |

[1] *Effective for annual periods beginning on or after 1 January 2019*
[2] *Effective for annual periods beginning on or after 1 January 2021*
[3] *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020*
[4] *Effective for annual periods beginning on or after 1 January 2020*
[5] *Effective for annual periods beginning on or after a date to be determined*

Except for the new HKFRS mentioned below, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

**HKFRS 16 *Leases***

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

At 31 March 2019, the Group had non-cancellable operating lease commitments of HK$1,531,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 *Lease* and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on fair value of the consideration given in exchange for goods and service.

## 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. During the year, the CODM assess 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 Directors consider that the Group only has one operating segment.

The CODM reviews the overall results and financial position of the Group as a whole based on the same accounting policies of the Group and no further analysis for segment information is presented.

### Revenue from major services

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

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Fitting-out and renovation services | **112,446** | 86,644 |
| Alteration and addition works services | **131,055** | 149,098 |
| Interior design services | **7,885** | 5,056 |
| | **251,386** | 240,798 |

### Geographical information

The Company is domiciled in the Cayman Islands with the Group's major operations located in Hong Kong. The Group's revenue from external customers during the years ended 31 March 2019 and 2018 were mainly derived from Hong Kong, the place of domicile of the Group's operating subsidiaries. All the non-current assets of the Group are located in Hong Kong. Accordingly, no geographical information is presented.

### Information about major customers

Revenue from customers contributing over 10% of the Group's total revenue are as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Customer A | **40,068** | N/A[1] |
| Customer B | **25,326** | N/A[1] |
| Customer C | **N/A[1]** | 36,471 |

[1] The corresponding revenue did not contribute over 10% of the Group's total revenue.

## 5. OTHER INCOME, OTHER GAINS AND LOSSES, NET

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Other income** | | |
| Bank interest income | **7** | 1 |
| Insurance claims | **69** | 790 |
| Interest income on deposits and prepayments for life insurance policies | **83** | 106 |
| Sundry income | **55** | 200 |
| | **214** | 1,097 |
| **Other gains and losses, net** | | |
| Gain arising on change in fair value of derivative financial instruments | **–** | 20 |
| Gain arising on change in fair value of held-for-trading investments | **–** | 4 |
| Loss arising on change in fair value of financial assets at fair value through profit or loss | **(2)** | – |
| Gain on disposal of plant and equipment | **–** | 261 |
| | **(2)** | 285 |
| | **212** | 1,382 |

## 6. FINANCE COSTS

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank borrowings and overdrafts | **685** | 659 |

## 7. PROFIT BEFORE TAX

| | 2019 | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit before tax has been arrived at after charging/(crediting): | | |
| Auditors' remuneration | **1,000** | 610 |
| Depreciation of plant and equipment | **1,761** | 1,104 |
| Net foreign exchange losses | **–** | (1) |
| Operating lease payments in respect of rented premises | **1,224** | 954 |
| Impairment losses, net of reversal | **12,095** | 3,217 |
| **Employee benefits expense:** | | |
| Salaries and other benefits | **20,739** | 14,981 |
| Contributions to retirement benefit scheme | **573** | 440 |
| Total employee benefits expense, including directors' emoluments | **21,312** | 15,421 |

During the year ended 31 March 2019, total employee benefits expense amounting to approximately HK$13,592,000 (2018: HK$8,544,000) was included in direct costs and amounting to approximately HK$7,720,000 (2018: HK$6,877,000) was included in administrative and other operating expenses.

## 8. INCOME TAX EXPENSE

| | 2019 | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong Profits Tax: | | |
| – Current income tax | **7,100** | 5,279 |
| – Under-provision in prior years | **6** | 1 |
| | **7,106** | 5,280 |
| Deferred tax: | **(2,303)** | 152 |
| Total income tax expense recognised in profit or loss | **4,803** | 5,432 |

## 9. DIVIDENDS

No dividend was paid or proposed by the Board for the year ended 31 March 2019 (2018: Nil).

## 10. EARNINGS PER SHARE

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Earnings** | | |
| Profit for the year attributable to owners of the Company for the purpose of basic earnings per share | **16,129** | 21,940 |

| | **2019** | 2018 |
|---|---|---|
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **1,120,000** | 1,120,000 |

The diluted earnings per share is equal to the basic earnings per share as there is no dilutive potential ordinary share in issue during the years ended 31 March 2019 and 2018.

## 11. TRADE AND OTHER RECEIVABLES

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **80,173** | 52,033 |
| Less: Allowance for credit losses | **(8,894)** | (5,143) |
| | **71,279** | 46,890 |
| Retention receivables | **–** | 11,891 |
| Other receivables, prepayments and deposits | **13,115** | 2,542 |
| | **84,394** | 61,323 |

The Group generally allows a credit period of 30 days to its customers.

The ageing analysis of trade receivables, presented based on the invoice date, at the end of the reporting period, is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 30 days | **50,801** | 37,755 |
| 31 – 60 days | **9,569** | 4,476 |
| 61 – 90 days | **1,666** | 3,125 |
| 91 – 180 days | **7,065** | 1,505 |
| Over 180 days | **11,072** | 5,172 |
| | **80,173** | 52,033 |
| Less: Allowance for credit losses | **(8,894)** | (5,143) |
| | **71,279** | 46,890 |

## 12. TRADE AND OTHER PAYABLES

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **9,085** | 11,522 |
| Other payables and accruals | **3,928** | 3,811 |
| | **13,013** | 15,333 |

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

The ageing analysis of trade payables, presented based on the invoice date, at the end of the reporting period, is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 30 days | **3,690** | 8,113 |
| 31 – 60 days | **224** | 712 |
| 61 – 90 days | **637** | 1,420 |
| 91 – 180 days | **2,077** | 81 |
| Over 180 days | **2,457** | 1,196 |
| | **9,085** | 11,522 |

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

The Group is a contractor capable of (i) interior fitting-out and renovation services; and (ii) alteration and addition ("**A&A**") works for residential, industrial and commercial properties in Hong Kong. The Group has been running its business since 2005 and gained extensive experience and reputation in the industry. Ample Construction Company Limited ("**Ample Construction**"), the Company's principal operating subsidiary for the contracting businesses, has been registered as the Registered General Building Contractor under the Building Authority since 2006 and is approved to carry out A&A works, including general building works and street works under the Buildings Ordinance. Ample Design Company Limited, the design department of the Group, provides interior design services to clients.

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

The Group experienced an increase in revenue for the year ended 31 March 2019 compared to the same period last year. The Directors consider that the increase was mainly due to an increase in number of sizeable fitting-out and renovation projects undertaken by the Group during the year.

The Directors are of the view that relocation of business offices and improving living standard will be the key drivers for the growth of the Hong Kong A&A, interior fitting-out & renovation industry. The Directors also believe that certain government policies, such as House Renovation Interest Free Loan launched by the Urban Renewal Authority in 2016, are favourable to the Group and the Group will allocate sufficient resources to capture any opportunities arising therefrom.

With the Group's experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors and embrace future challenges that are commonly faced by all competitors.

## FINANCIAL REVIEW

### Revenue

The revenue increased by approximately HK$10.6 million or 4.4% from approximately HK$240.8 million for the year ended 31 March 2018 to approximately HK$251.4 million for the year ended 31 March 2019. Such increase was driven by the increase in number of sizeable fitting-out and renovation projects undertaken during the year.

### Direct costs

The direct costs increased from approximately HK$195.5 million for the year ended 31 March 2018 to approximately HK$198.1 million for the year ended 31 March 2019, representing an increase of approximately HK$2.6 million or 1.3%. Such increase was mainly due to the increase in revenue generated during the year, resulting in the increase in the corresponding costs incurred for undertaking the contracting projects.

### Gross profit

Gross profit of the Group increased by approximately 17.7% from approximately HK$45.3 million for the year ended 31 March 2018 to approximately HK$53.3 million for the year ended 31 March 2019. Such increase was mainly driven by the higher margin projects.

### Impairment losses, net of reversal

The Group's impairment loss, net of reversal represents a provision for impairment loss allowance of trade receivables and contract assets. The Group applied simplified approach to measure the ECL which used a lifetime ECL for all trade receivables and contract assets. The ECL on these assets are assessed individually and/or collectively with appropriate grouping based on same risk characteristics. The Group's impairment loss, net of reversal increased from approximately HK$3.2 million for the year ended 31 March 2018 to approximately HK$12.1 million for the year ended 31 March 2019 as a result of allowance of credit loss made on contract assets in relation to a sizable project during the year.

### Administrative and other operating expenses

Administrative and other operating expenses of the Group increased by approximately 28.6% from approximately HK$15.4 million for the year ended 31 March 2018 to approximately HK$19.8 million for the year ended 31 March 2019. Administrative and other operating expenses primarily consist of rental expenses, staff costs and professional fees. Such increase was mainly due to increase in employee benefit expenses as a result of increase in headcount for business expansion and the increase in the professional fees incurred in relation to the transfer of listing from GEM to the Main Board of the Stock Exchange.

### Finance costs

Finance costs of the Group remained relatively stable at approximately HK$0.7 million for the years ended 31 March 2018 and 2019. Finance costs for the year ended 31 March 2019 consist of interest on bank borrowings and overdrafts.

**Income tax expense**

Income tax expense for the Group decreased by approximately 11.1% from approximately HK$5.4 million for the year ended 31 March 2018 to approximately HK$4.8 million for the year ended 31 March 2019, which was mainly due to deterred tax credit recognised during the year.

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

As a result of foregoing, profit and total comprehensive income for the year attributable to owners of the Company decreased by approximately 26.5% from approximately HK$21.9 million for the year ended 31 March 2018 to approximately HK$16.1 million for the year ended 31 March 2019.

## LIQUIDITY AND FINANCIAL RESOURCES

At 31 March 2019, the Group had total assets of approximately HK$153.8 million (2018: HK$150.0 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$38.1 million (2018: HK$45.1 million) and approximately HK$115.7 million (2018: HK$104.9 million), respectively.

The total interest-bearing borrowings of the Group at 31 March 2019 were approximately HK$24.2 million (2018: HK$24.3 million), and current ratio at 31 March 2019 was approximately 3.8 times (2018: 3.2 times).

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

## GEARING RATIO

The gearing ratio of the Group at 31 March 2019 was approximately 20.9% (2018: 23.2%), which was relatively stable as compared with that of last financial year.

The gearing ratio is calculated based on the total loans and borrowings divided by total equity 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 throughout the year. 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 31 March 2019, the Group did not pledge any bank deposits to a bank as collateral to secure banking facilities granted to the Group (2018: Nil).

At 31 March 2019, the Group pledged its life insurance policies to a bank of approximately HK$2.9 million to secure the banking facilities granted to the Group (2018: HK$2.9 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 are transacted in Hong Kong Dollars. For the year ended 31 March 2019, there was no significant exposure to foreign exchange rate fluctuations and the Group had not maintained any hedging policy against the foreign exchange risk. The management will consider suitable hedging instruments against significant currency exposure should the need arises.

## CAPITAL STRUCTURE

The Shares of the Company were successfully listed on GEM, of the Stock Exchange on 12 January 2017 (the "**Listing Date**").

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 the Listing Date and up to date of this announcement. The capital of the Group only comprises of ordinary shares.

## CAPITAL COMMITMENTS

The Group did not have any capital commitment as at 31 March 2019 (2018: Nil).

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND ACQUISITION OF CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 30 December 2016 (the "**Prospectus**") and in this announcement, the Group did not have other plans for material investments or acquisition of capital assets as of 31 March 2019.

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

During the year ended 31 March 2019, the Group did not have any significant investments held, nor did the Group have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

## CONTINGENT LIABILITIES

Certain customers of construction contracts undertaken by the Group required Ample Construction to issue guarantees for the performance of contract works in the form of surety bonds of approximately HK$10,446,000 at 31 March 2019 (2018: HK$3,570,000). The Company and Ample Construction have unconditionally and irrevocably agreed to indemnify the insurance company that issued of 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.

## 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 31 March 2019 is set out below:

| | **Planned use of net proceeds as stated in the Prospectus up to 31 March 2019** | **Actual use of net proceeds up to 31 March 2019** | **Unutilised net proceeds up to 31 March 2019** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Participate further in large scale fitting-out, renovation and A&A projects and enlarge the Group's market share in HK | 18,022 | 17,958 | 64 |
| Participate in competitions and exhibitions to promote and develop the Group's interior design and fitting-out business | 8,704 | 3,074 | 5,630 |
| Expand the Group's manpower for projects execution and strengthen the skills of the Group's staff | 9,933 | 6,581 | 3,352 |
| Strengthen the Group's business development and quantity surveying and enhance the Group's marketing resources | 9,421 | 2,086 | 7,335 |
| General working capital | 5,120 | 5,120 | – |
| Total | 51,200 | 34,819 | 16,381 |

As at 31 March 2019, the actual use of proceeds was less than the estimated net proceeds but had been applied in the same manner as specified in the section headed "Business Objective and Use of Proceeds" of the Prospectus. The net proceeds of approximately HK$16.4 million had not yet been utilised as at 31 March 2019 and was deposited into licensed banks in Hong Kong. Further information may refer to the announcement of the Company dated 30 April 2019 in the section "**Use of proceeds**". The Group will continue to apply the proceeds from its Listing on GEM in accordance with the proceeds allocation set out in the Prospectus.

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.

## EMPLOYEES AND REMUNERATION POLICIES

At 31 March 2019, the Group employed a total of 53 employees (2018: 39 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$21.3 million for the year ended 31 March 2019 (2018: HK$15.4 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.

## EVENT AFTER THE REPORTING PERIOD

The shares of the Company have been listed on the Main Board of the Stock Exchange by way of transfer of listing since 9 May 2019.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss and other comprehensive income in this announcement. The state of affairs of the Group as at 31 March 2019 are set out in the consolidated statement of financial position in this announcement. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2019.

## 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 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 Rules governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). During the year ended 31 March 2019, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code during the year ended 31 March 2019.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 March 2019.

## AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprising three independent non-executive Directors was established on 23 December 2016. The chairman of the Audit Committee is Ms. Tsang Ngo Yin and other members included 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.

## REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 March 2019 as set out in the preliminary announcement have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this preliminary announcement.

The Group's annual results for the year ended 31 March 2019 have been reviewed by the Audit Committee.

## APPRECIATION

The Company would like to thank the Group's customers, suppliers, business partners for their support. Also, the Company would like to offer its highest gratitude to its shareholders for their devotion and to the Group's employees for their loyalty and contributions made during the year.

By order of the Board
**LKS Holding Group Limited**
**Wong Wan Sze**
*Chairman and Executive Director*

Hong Kong, 28 June 2019

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