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## **LC Group Holdings Limited**

**良斯集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1683)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2015**

The board (the “Board”) of directors (the “Directors”) of LC Group Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred hereafter as the “Group”) for the year ended 30 September 2015 (“FY2015”), together with the comparative audited figures for the year ended 30 September 2014 (“FY2014”) as follows:

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

*For the year ended 30 September 2015*

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Revenue	5	<b>159,527</b>	113,786
Cost of sales		<b>(99,289)</b>	(69,936)
		<hr/>	<hr/>
Gross profit		<b>60,238</b>	43,850
Other revenue and other gains	6	<b>1,017</b>	1,659
Other operating expenses		<b>(687)</b>	(1,472)
Administrative expenses		<b>(35,515)</b>	(15,930)
		<hr/>	<hr/>
Profit before taxation	7	<b>25,053</b>	28,107
Taxation	8	<b>(4,103)</b>	(4,756)
		<hr/>	<hr/>
Profit and total comprehensive income for the year		<b>20,950</b>	23,351
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Owners of the Company		<b>21,255</b>	23,200
Non-controlling interests		<b>(305)</b>	151
		<hr/>	<hr/>
Profit and total comprehensive income for the year		<b>20,950</b>	23,351
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share:			
Basic and diluted (HK cents)	9	<b>5.6</b>	6.2
		<hr/> <hr/>	<hr/> <hr/>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2015*

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
<b>Non-current asset</b>			
Property, plant and equipment		<u>1,775</u>	<u>2,830</u>
<b>Current assets</b>			
Trade receivables	11	29,399	6,677
Amounts due from customers for contract work	12	448	118
Deposits, prepayments and other receivables		2,022	1,201
Amount due from a shareholder		–	38,851
Cash and bank balances		<u>130,565</u>	<u>34,360</u>
		<u>162,434</u>	<u>81,207</u>
<b>Current liabilities</b>			
Trade payables	13	15,067	6,622
Amounts due to customers for contract work	12	2,210	807
Accrued expenses and other payables		4,534	6,765
Amount due to a non-controlling shareholder		–	126
Income tax payable		<u>9,966</u>	<u>19,219</u>
		<u>31,777</u>	<u>33,539</u>
<b>Net current assets</b>		<u>130,657</u>	<u>47,668</u>
<b>Total assets less current liabilities</b>		<u>132,432</u>	<u>50,498</u>
<b>Net assets</b>		<u>132,432</u>	<u>50,498</u>
<b>Capital and reserves</b>			
Share capital		5,000	621
Reserves		<u>127,432</u>	<u>47,423</u>
<b>Total equity attributable to owners of the Company</b>		132,432	48,044
<b>Non-controlling interests</b>		<u>–</u>	<u>2,454</u>
<b>Total equity</b>		<u>132,432</u>	<u>50,498</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 September 2015*

## 1. GENERAL INFORMATION

LC Group Holdings Limited (the “Company”) was incorporated in Cayman Islands on 19 January 2015 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company’s registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 21/F, Wyndham Place, No. 44 Wyndham Street, Central, Hong Kong.

The Company had its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 8 September 2015 (the “Listing”).

The Company is an investment company. The Company and its subsidiaries collectively referred hereafter as (the “Group”) are principally engaged in one-stop integrated interior design solutions including design, fit out and decoration as well as overall project management.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise stated.

## 2. REORGANISATION

In the preparation for the Listing, the Group underwent series of corporate reorganisation (the “Reorganisation”), as a result of which the Company became a holding company of the subsidiaries comprising the Group. The Reorganisation included the following principal steps:

- (i) On 10 November 2014, Starcross Group Limited (“SGL”) was incorporated in the British Virgin Islands (“BVI”) with limited liability. It is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. On the same day, 75 shares and 25 shares were allotted and issued to Mr. LEONG Hing Leong Rudoff (“Mr. LEONG”) and Ms. CHEW Christina Mooi Chong (“Ms. CHEW”) at par.
- (ii) On 19 January 2015, Mr. LEONG and Ms. CHEW transferred their entire shareholding interest in Crystal Sky Group Limited (“Crystal Sky”) to Smart Builder Holdings Limited (“SBHL”) (as directed by the Company) in consideration of the allotment and issue of one share and one share by the Company to SGL (as directed by Mr. LEONG and Ms. CHEW), respectively, credited as fully-paid;
- (iii) On 3 August 2015, Mr. LEONG and Ms. CHEW transferred their entire shareholding interest in LCL Architects Limited (“LCL Architects”) to SBHL (as directed by the Company) in consideration of the allotment and issue of one share and one share by the Company to SGL (as directed by Mr. LEONG and Ms. CHEW), respectively, credited as fully-paid;
- (iv) On 3 August 2015, Mr. LEONG and Ms. CHEW transferred their entire shareholding interest in LCL China Limited (“LCL China”) to SBHL (as directed by the Company) in consideration of the allotment and issue of one share and one share by the Company to SGL (as directed by Mr. LEONG and Ms. CHEW), respectively, credited as fully-paid;

- (v) On 3 August 2015, Mr. LEONG and Ms. CHEW transferred their entire shareholding interest in LCL Construction Limited (“LCL Construction”) to SBHL (as directed by the Company) in consideration of the allotment and issue of nine shares and one share by the Company to SGL (as directed by Mr. LEONG and Ms. CHEW), respectively, credited as fully-paid and the crediting as fully paid at par the one nil-paid share in issue and registered in the name of SGL;
- (vi) On 3 August 2015, Mr. LEONG transferred his entire shareholding interest in LCL Deco Limited (“LCL Deco”) to SBHL (as directed by the Company) in consideration of the allotment and issue of one share by the Company to SGL (as directed by Mr. LEONG) credited as fully-paid;
- (vii) On 3 August 2015, Mr. LEONG and Ms. CHEW transferred their entire shareholding interest in LCL Decoration Limited (“LCL Decoration”) to SBHL (as directed by the Company) in consideration of the allotment and issue of one share and one share by the Company to SGL (as directed by Mr. LEONG and Ms. CHEW), respectively, credited as fully-paid;
- (viii) On 3 August 2015, Mr. LEONG and Ms. CHEW transferred their entire shareholding interest in LCL Design Limited (“LCL Design”) to SBHL (as directed by the Company) in consideration of the allotment and issue of one share and one share by the Company to SGL (as directed by Mr. LEONG and Ms. CHEW), respectively, credited as fully-paid;
- (ix) On 3 August 2015, Mr. LEONG and Ms. CHEW transferred their entire shareholding interest in LCL Interior Limited (“LCL Interior”) to SBHL (as directed by the Company) in consideration of the allotment and issue of one share and one share by the Company to SGL (as directed by Mr. LEONG and Ms. CHEW), respectively, credited as fully-paid; and
- (x) On 3 August 2015, Mr. LEONG and Ms. CHEW transferred their entire shareholding interest in LCL Limited (“LCL Ltd.”) to SBHL (as directed by the Company) in consideration of the allotment and issue of one share and one share by the Company to SGL (as directed by Mr. LEONG and Ms. CHEW), respectively, credited as fully-paid.
- (xi) On 4 August 2015, SBHL and Mr. LEONG entered into a sale and purchase agreement, pursuant to which SBHL agreed to transfer the entire issued share capital of Crystal Sky at the consideration of approximately HK\$974,000 to Mr. LEONG. The consideration for the transfer was determined based on the net assets value of Crystal Sky according to the management accounts of Crystal Sky as at 31 July 2015. As the consideration for the disposal of Crystal Sky was based on its net asset value, the disposal of Crystal Sky did not result in any gain or loss on the Group.
- (xii) Upon completion of the Reorganisation on 4 August 2015, the Company became the holding company of the Group.

The consolidated financial statements of the Group have been prepared as if the Group had always been in existence throughout both years presented, or since the respective dates of incorporation or establishment of the Group companies, rather than from the date when the Company became the holding company pursuant to the Reorganisation.

### 3. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and accounting principles generally accepted in Hong Kong. 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.

### 4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (the “new and revised HKFRSs”) issued by the HKICPA that are relevant for the Group’s financial period beginning on or after 1 October 2014. A summary of the new HKFRSs are set out as below:

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle
HKAS 19 (Amendments)	Defined Benefits Plan: Employee Contributions
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int21	Levies

The application of the above amendments to HKFRSs in the current period has had no material effect on the amounts recognised in or disclosures set out in the Group’s consolidated financial statements.

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

HKFRS 9	Financial Instruments <sup>3</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup>
HKAS 1 (Amendments)	Disclosure initiative <sup>1</sup>
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants <sup>1</sup>
HKAS 27 (Amendments)	Equity method in Separate Financial Statements <sup>1</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle <sup>1</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
- <sup>2</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
- <sup>3</sup> Effective for annual period beginning on or after 1 January 2018, with earlier application permitted.

The Group is in the process of assessing the potential impact of the above new and revised HKFRSs upon initial application but is not yet in a position to state whether the above new and revised HKFRS, will have a significant impact on the Group's results of operations and financial position.

## 5. REVENUE AND SEGMENT INFORMATION

The executive directors of the Company, being the chief operating decision-makers, review the Group's internal reporting in order to assess performance and allocate resources. The Group focuses on provision of design, fit out and decoration services during the year. Information reported to the chief operating decision marker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

A brief description of each of our services is as follows:

Design service	conceptual design of space's interior
Fit out service	coordinate, manage and arrange for fit out works to be subcontracted
Decoration service	accessorising of the interior space

### Revenue from major services

The Group's revenue from its major services during the year is follows:

	For the year ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Design and/or decoration service income	25,220	12,323
Design, fit out and decoration service income	134,307	101,463
	<u>159,527</u>	<u>113,786</u>

### Geographical information

The Group's operations are located in Hong Kong, People's Republic of China (the "PRC") and Macau.

The Group's geographical segments are classified according to the location of customers. There are three customer-based geographical segments. Segment revenue from external customers by the location of customer during the year is as follows:

#### Revenue from external customers

	For the year ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Hong Kong	133,759	57,077
PRC	25,768	56,109
Macau	–	600
	<u>159,527</u>	<u>113,786</u>

The Group's geographical segments are also classified by the location of assets, information about its non-current assets by geographical location are detailed below:

#### Non-current assets

	As at 30 September	
	2015	2014
	HK\$'000	HK\$'000
Hong Kong	<u>1,775</u>	<u>2,830</u>

#### Information about major customers

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

	For the year ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Customer A	–	25,283
Customer B	32,668	54,980
Customer C	34,966	–
Customer D	25,275	–
Customer E	23,958	–
Customer F	18,207	–
	<u>159,527</u>	<u>113,786</u>

## 6. OTHER REVENUE AND OTHER GAINS

	For the year ended	
	30 September	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Other revenue</b>		
Bank interest income	61	115
Other operating income	626	1,266
Sundry income	80	143
	<u>767</u>	<u>1,524</u>
<b>Other gains</b>		
Gain on disposal of property, plant and equipment	250	135
<b>Total</b>	<u><b>1,017</b></u>	<u><b>1,659</b></u>

## 7. PROFIT BEFORE TAXATION

	For the year ended	
	30 September	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Directors' emoluments	5,319	4,261
Salaries, wages and other benefits (excluding directors' emoluments)	7,571	5,357
Pension scheme contributions (excluding directors' emoluments)	237	193
	<u>7,808</u>	<u>5,550</u>
Auditors' remuneration	800	291
Bad debts written off	520	110
Depreciation of property, plant and equipment	1,643	1,760
Minimum lease payments under operating leases in respect of office premises	2,692	3,476
Net exchange loss	1,382	215
Initial public offering expenses (included in administrative expenses)	14,819	–
	<u><b>14,819</b></u>	<u><b>–</b></u>

## 8. TAXATION

	For the year ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	<u>4,103</u>	<u>4,756</u>
Current tax expense	<u><u>4,103</u></u>	<u><u>4,756</u></u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI during the year.

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 30 September 2015 is based on the profit for the year attributable to owners of the Company of approximately HK\$21,255,000 (2014: HK\$23,200,000) and the weighted average number of ordinary shares in issue of approximately 382,877,000 (2014: 375,000,000). The weighted average number of ordinary shares for the year ended 30 September 2014 comprised of 26 shares in issue upon completion of the Reorganisation and 374,999,974 shares in issue pursuant to the Capitalisation Issue (as defined in the Company's prospectus dated 21 August 2015), as if the shares were outstanding throughout the year ended 30 September 2014.

Diluted earnings per share for the years ended 30 September 2014 and 2015 were the same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the years.

## 10. DIVIDENDS

No dividend has been paid by the Company since its date of incorporation. The directors of the Company do not propose any payment of final dividend for the year ended 30 September 2015.

Prior to the Reorganisation, the Company's subsidiaries (i) had declared and paid the interim dividends in aggregate amounts of HK\$3,000,000 to their shareholders during the year ended 30 September 2014; and (ii) had declared the interim dividends in aggregate amounts of HK\$53,850,000 to their shareholders during the year ended 30 September 2015. HK\$37,100,000 out of the HK\$53,850,000 was paid to the shareholders before the Listing and the remaining amount was paid to the shareholders after the Listing.

The subsidiaries had declared dividends to their shareholders as follows:

During the year ended 30 September 2014, LCL Architects, declared an interim dividend of HK\$1,000,000 per share to its shareholders, totalling HK\$3,000,000 and the interim dividend entitled and paid to the non-controlling interests was HK\$1,000,000.

During the year ended 30 September 2015, LCL Interior, a wholly-owned subsidiary, declared and settled an interim dividend of HK\$35 per share and declared and paid an interim dividend of HK\$14 per share to its shareholders, totalling HK\$7,000,000 and HK\$2,800,000 on 30 January 2015 and 26 May 2015, respectively.

During the year ended 30 September 2015, LCL Construction, a wholly-owned subsidiary, declared and settled an interim dividend of HK\$62.5 per share and declared and paid an interim dividend of HK\$22 per share to its shareholders, totalling HK\$12,500,000 and HK\$4,400,000 on 30 January 2015 and 26 May 2015, respectively.

During the year ended 30 September 2015, LCL Architects, a wholly-owned subsidiary, declared and paid an interim dividend of HK\$450,000 per share to its shareholders, totalling HK\$1,350,000 on 26 May 2015.

During the year ended 30 September 2015, LCL China, a wholly-owned subsidiary, declared and settled an interim dividend of HK\$460 per share and declared and paid an interim dividend of HK\$590 per share to its shareholders, totalling HK\$4,600,000 and HK\$5,900,000 on 30 January 2015 and 26 May 2015, respectively.

During the year ended 30 September 2015, LCL Design, a wholly-owned subsidiary, declared and settled an interim dividend of HK\$25 per share and declared and paid an interim dividend of HK\$8 per share to its shareholders, totalling HK\$5,000,000 and HK\$1,600,000 on 30 January 2015 and 26 May 2015, respectively.

During the year ended 30 September 2015, LCL Decoration, a wholly-owned subsidiary, declared and settled an interim dividend of HK\$80,000 per share to its shareholders, totalling HK\$8,000,000 on 30 January 2015.

During the year ended 30 September 2015, LCL Limited, a wholly-owned subsidiary, declared and paid an interim dividend of HK\$7,000 per share to its shareholders, totalling HK\$700,000 on 26 May 2015.

## 11. TRADE RECEIVABLES

	<b>As at 30 September</b>	
	<b>2015</b>	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<b>29,399</b>	6,677

The Group's credit term with its customers is, in general, 7 to 45 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The aging analysis of the trade receivables, based on the invoice date, are as follows:

	<b>As at 30 September</b>	
	<b>2015</b>	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 30 days	<b>23,470</b>	6
31 – 60 days	<b>3,019</b>	3,232
61 – 90 days	<b>47</b>	385
Over 90 days	<b>2,863</b>	3,054
	<b>29,399</b>	6,677

## 12. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	<b>As at 30 September</b>	
	<b>2015</b>	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Amounts due from customers for contract work</b>		
Contract costs incurred plus recognised profits less recognised losses	<b>38,488</b>	5,250
Less: Progress billings received and receivable	<b>(38,040)</b>	(5,132)
	<b>448</b>	118

	<b>As at 30 September</b>	
	<b>2015</b>	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Amounts due to customers for contract work</b>		
Progress billings received and receivable	<b>31,272</b>	3,165
Less: Contract costs incurred plus recognised profits less recognised losses	<b>(29,062)</b>	(2,358)
	<b>2,210</b>	807

### 13 TRADE PAYABLES

	As at 30 September	
	2015	2014
	HK\$'000	HK\$'000
Trade payables	<u>15,067</u>	<u>6,622</u>

The aging analysis of trade payables, based on the invoice date are as follows:

	As at 30 September	
	2015	2014
	HK\$'000	HK\$'000
Current to 30 days	11,602	1,027
31 – 60 days	336	256
61 – 90 days	1,771	355
Over 90 days	1,358	4,984
	<u>15,067</u>	<u>6,622</u>

The credit period on purchases of certain goods and services is within 7 to 90 days.

### 14. CHANGES IN OWNERSHIP INTERESTS OF SUBSIDIARIES

- (a) On 23 January 2015, Ms. CHEW acquired 13% equity interests of LCL Ltd. and LCL Decoration respectively for a cash consideration of approximately HK\$111,000 and HK\$276,000 respectively. Thereafter and before the Re-organisation, LCL Ltd. and LCL Decoration were wholly owned by Mr. LEONG and Ms. CHEW.
- (b) On 2 March 2015, the non-controlling shareholder of LCL Deco disposed of all his 5,000 shares in LCL Deco to Mr. LEONG at a consideration of HK\$500,000. The consideration for the transfer was determined based on the unaudited net assets value of such shares as at 31 January 2015. Upon completion of the transfer and before the Re-organisation, LCL Deco became wholly-owned by Mr. LEONG.
- (c) On 2 March 2015, the non-controlling shareholder of LCL Architects disposed of his one share in LCL Architects to Mr. LEONG at a consideration of HK\$2,000,000. The consideration for the transfer was determined based on the unaudited net assets value of such shares as at 31 January 2015. Upon completion of the transfer and before the Re-organisation, LCL Architects was owned as to approximately 66.66% and 33.33% by Mr. LEONG and Ms. CHEW, respectively.

## 15. DISPOSAL

The Group disposed of Crystal Sky which has become inactive during the year ended 30 September 2015. On 4 August 2015, SBHL and Mr. LEONG entered into a sale and purchase agreement, pursuant to which SBHL agreed to transfer the entire issued share capital of Crystal Sky at the consideration of approximately HK\$974,000 to Mr. LEONG. As the consideration for the disposal of Crystal Sky was based on its net asset value, the disposal of Crystal Sky did not result in a gain or loss on the Group. Moreover, since Crystal Sky has become inactive, the disposal of it will not affect the Group's financial performance and business.

### (i) Consideration received

	2015 <i>HK\$'000</i>
Total consideration received in cash and cash equivalents/ Net cash inflow on disposal of a subsidiary	974

### (ii) Analysis of assets and liability over which control was lost

	2015 <i>HK\$'000</i>
<b>Current asset</b>	
Amount due from LCL Interior	18,699
<b>Current liabilities</b>	
Accrued expenses	(4,604)
Income tax payable	(13,121)
	(17,725)
Net assets disposed of	974

### (iii) Result on disposal of subsidiary

	2015 <i>HK\$'000</i>
Consideration received	974
Net assets disposed of	(974)
	-

## 16. EVENTS AFTER THE REPORTING DATE

There is no material subsequent event undertaken by the Company or by the Group after 30 September 2015 and up to the date of this announcement.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The past financial year was crucial to the business development of the Group. We had spared no effort and taken numerous initiatives in ensuring our initial public offering a success. On 8 September 2015 (the “Listing Date”), the shares of the Company were successfully listed on the Main Board of the Stock Exchange. The listing of the Company marked a great leap of its development. Becoming a listed company enables the Group to achieve further business advancement, which not only strengthens its capital base, but also enhances its corporate image and brand awareness. On behalf of the Group, I would like to express our deepest gratitude towards all parties who have assisted us in building our business over the years and bringing our Company to the Main Board.

In addition to tapping into the capital market, LCL Architects Limited, a subsidiary of the Group, was awarded a Silver Medal in the Hotel Restaurant Category of Hong Kong Restaurant Interior Design Awards 2015 for its restaurant project Gradini Ristorante E Bar Italiano. The award, a testament to the Group’s design capabilities, was presented by Restaurant & Bar Hong Kong, a leading fine dining and bar exhibition in Asia-Pacific, at an award event held in Hong Kong Convention & Exhibition Centre on 9 September 2015.

Leveraging our experienced management team and long-term relationships with our customers, the Group recorded a consolidated net profit of approximately HK\$21.0 million for the financial year ended 30 September 2015. Carving out the one-off initial public offering expenses of approximately HK\$14.8 million (charged to consolidated statement of profit or loss and other comprehensive income), profit for the year recorded a significant increase of 53.0% from approximately HK\$23.4 million for the financial year ended 30 September 2014 to approximately HK\$35.8 million for the financial year ended 30 September 2015. The increase was mainly due to increase in the number of projects awarded and completed during the current financial year.

### **FINANCIAL REVIEW**

#### **Revenue**

The Group is a one-stop integrated interior design solutions provider based in Hong Kong. Our integrated interior design solutions include design, fit out, and decoration. We are also responsible for the overall project management. Our customers can choose from one or a combination of our solutions. The provision of our services to our customers can be broadly classified into two major types of projects, (i) design and/or decoration (“DD”) and (ii) design, fit out and decoration (“DFD”).

During the FY2015, the Group achieved an outstanding performance with an increase of 40.2% in the Group’s revenue to approximately HK\$159.5 million (FY2014: HK\$113.8 million) from provision of one-stop integrated interior design services.

The following table set forth the breakdown of our Group's revenue by type of projects and by geographical locations:

	FY2015		FY2014	
	HK\$'000	%	HK\$'000	%
<b>DD</b>				
PRC	<b>24,088</b>	<b>15.1%</b>	11,723	10.3%
Hong Kong	<b>1,132</b>	<b>0.7%</b>	–	–
Macau	–	–	600	0.5%
Subtotal	<b>25,220</b>	<b>15.8%</b>	12,323	10.8%
<b>DFD</b>				
PRC	<b>1,680</b>	<b>1.1%</b>	44,386	39.0%
Hong Kong	<b>132,627</b>	<b>83.1%</b>	57,077	50.2%
Subtotal	<b>134,307</b>	<b>84.2%</b>	101,463	89.2%
Total	<b>159,527</b>	<b>100.0%</b>	113,786	100.0%

In FY2015, the major customers of the Group were mostly well established listed property developers based in Hong Kong. The revenue derived from the DFD projects in Hong Kong was the key component to the overall revenue, which amounted to approximately HK\$132.6 million for FY2015 (FY2014: HK\$57.1 million) representing 83.1% (FY2014: 50.2%) of the overall revenue of the Group for FY2015. Such significant growth was mainly driven by 6 DFD projects with an aggregate turnover of approximately HK\$91.9 million. The increase in percentage was mainly attributable to our strategic allocation of manpower and resources towards Hong Kong projects with fit out works, benefiting from the surge of demand for luxury interior design from the spate of launching smaller properties in Hong Kong.

The increase in the revenue derived from the DFD projects in Hong Kong was partially set-off by the decrease in the revenue derived from the DFD projects in PRC. The revenue derived from the DFD projects in PRC amounted to approximately HK\$1.7 million for FY2015 (FY2014: HK\$44.4 million) representing 1.1% (FY2014: 39.0%) of the overall revenue of the Group for FY2015. The drop in revenue derived from the DFD projects in PRC was as a result of completion of a major DFD project in PRC with a Hong Kong based customer in FY2014.

Despite the drop in the revenue from the DFD projects in the PRC, there was increasing number of the DD projects in PRC as more PRC customers tended to engage us for our DD services without requiring our fit out services. The revenue derived from the DD projects in PRC amounted to approximately HK\$24.1 million for FY2015 (FY2014: HK\$11.7 million) representing 15.1% (FY2014: 10.3%) of the overall revenue of the Group for FY2015.

### Gross profit and gross profit margin

The following table set forth the breakdown of our Group's gross profit and gross profit margin by type of projects and by geographical locations:

	FY2015		FY2014	
	HK\$'000	Margin (%)	HK\$'000	Margin (%)
<b>DD</b>				
PRC	19,752	82.0%	7,831	66.8%
Hong Kong	1,092	96.5%	–	–
Macau	–	–	547	91.2%
Subtotal	20,844	82.6%	8,378	68.0%
<b>DFD</b>				
PRC	881	52.4%	17,978	40.5%
Hong Kong	38,513	29.0%	17,494	30.6%
Subtotal	39,394	29.3%	35,472	35.0%
Total	60,238	37.8%	43,850	38.5%

The overall gross profit increased by 37.1% from approximately HK\$43.9 million for FY2014 to approximately HK\$60.2 million for FY2015. Such increase was mainly in line with the overall upward trend of the total revenue, where significant increase in gross profit derived from the DFD projects in Hong Kong and the DD projects in PRC were recorded during the FY2015. The overall gross profit margin remained stable at 37.8% in FY2015 (FY2014: 38.5%).

In FY2015, the gross profit margin of the DD projects was at 82.6%, while the gross profit margin of the DFD projects was at 29.3%. The gross profit margin of the DD projects was generally higher than that of the DFD projects which require our fit out service. The DD projects involved fewer subcontractors than the DFD projects allowing rooms for higher mark-up in consideration of the quality of our interior design solution services; and the major cost components of the DD projects were direct staff costs and drafting subcontractors cost, which were common cost components shared among all of our projects, resulting in a relatively higher gross profit margin to the DD projects.

The gross profit margin of the DD projects increased from 68.0% for FY2014 to 82.6% for FY2015 in light of the Group's strengthened ability and connections in undertaking more DD projects in the PRC with high gross profit margin. On the other hand, the gross profit margin of the DFD projects decreased from 35.0% for FY2014 to 29.3% for FY2015. Such drop was mainly attributable to (i) the completion of the major DFD project in the PRC which accounted for a turnover of approximately HK\$44.4 million with a gross profit margin of 40.5% in FY2014; and (ii) the drop in the gross profit margin derived from the DFD projects in Hong Kong since the Group undertook smaller property projects in light of the surge of demand of such kind of properties in the property market in Hong Kong, which had relatively lower margins.

### **Administrative expenses**

The administrative expenses increased by approximately HK\$19.6 million from approximately HK\$15.9 million in FY2014 to approximately HK\$35.5 million in FY2015. This was mainly due to (i) the one-off initial public offering expenses of approximately HK\$14.8 million (charged to consolidated statement of profit or loss and other comprehensive income); (ii) a charitable donation of approximately HK\$1.0 million; and (iii) increase in directors' remuneration of approximately HK\$1.1 million.

### **Profit for the year**

The profit for the year decreased by approximately HK\$2.4 million from approximately HK\$23.4 million in FY2014 to approximately HK\$21.0 million in FY2015. However, carving out the one-off initial public offering expenses of approximately HK\$14.8 million (charged to consolidated statement of profit or loss and other comprehensive income), profit for the year recorded a significant increase of 53.0% from approximately HK\$23.4 million in FY2014 to approximately HK\$35.8 million in FY2015. The increase was mainly due to increase in the number of projects awarded and completed during the current financial year.

### **PROSPECT**

The Group is a one-stop integrated interior design solutions provider based in Hong Kong. Since establishing our Group in 1996, we have been instrumental in providing unique and innovative designs and high quality fit out and decoration services to our customers whilst maintaining the philosophy to maintain a steady and gradual growth in the pursuit of quality and design excellence in a timely manner. Our Group's drive, passion and exquisite attention to details from design to fit out to decoration has enabled our Group to garner the trust and appreciation from our customers and enabled our Group to become one of the reputable players in the integrated interior design services market in Hong Kong.

Looking ahead, we are positive about the prospect of the interior design market. As the majority of our revenue was derived from providing our integrated interior design solutions to our corporate clients who are leading property developers and we have recurring collaborations with leading property developers over the years, we are fully confident of the Group's future prospect.

## **HUMAN RESOURCES AND REMUNERATION POLICIES**

As at 30 September 2015, the Group had approximately 20 employees (2014: 17) in Hong Kong. The total remuneration paid by the Group to its employees (including directors) for the current financial year was approximately HK\$13.1 million (FY2014: HK\$9.8 million).

The objective of the Group's remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration paid to its employees (including directors and senior management), the following factors are considered:

- workload, responsibility and job complexity;
- business requirements;
- individual performance and contribution to results;
- company performance and profitability;
- retention considerations and the potential of individuals;
- corporate goals and objectives;
- market rates and changes in relevant markets, including supply and demand fluctuations and changes in competitive conditions; and
- general economic situation.

In addition to salaries, provident fund scheme and medical insurance coverage and discretionary bonuses are available to employees. Level of remuneration is reviewed annually. During the review process, no individual director is involved in decisions relating to his own remuneration.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 30 September 2015, the Group had a total cash and bank balances of approximately HK\$130.6 million (2014: HK\$34.4 million) mainly denominated in Hong Kong dollars. The increase in total cash and bank balances was mainly due to the receipt of proceeds from the share offer of approximately HK\$125.0 million (before the deduction of underwriting commissions and all related expenses).

The Group continued to maintain a healthy liquidity position. At as 30 September 2015, the Group had net current assets of approximately HK\$130.7 million (2014: HK\$47.7 million). The Group had current ratio of approximately 5.1 times as at 30 September 2015 compared to that of approximately 2.4 times at 30 September 2014. The improvement in the Group's liquidity position was mainly attributable to the strengthening of the capital base of the Company upon the public listing of the Company's shares since the Listing Date.

The gearing ratio of the Group is defined as a percentage of interest-bearing liabilities divided by total equity. As at 30 September 2015, the Group did not have any borrowing (2014: Nil). Hence, as at 30 September 2015, the gear ratio was Nil (2014: Nil). The Group's working capital requirements were mainly financed by internal resources.

### **FOREIGN EXCHANGE EXPOSURE**

The Group mainly earns revenue in Hong Kong dollars and Renminbi and also incurs cost in Hong Kong dollars and Renminbi. The Group is exposed to foreign exchange risk with respect mainly to Renminbi which may affect the Group's performance. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of Renminbi and will closely monitor its impact on the performance of the Group to see if any hedging policy is necessary. The Group currently does not have any foreign currency hedging policy.

### **PLEDGE OF ASSETS**

There was no pledged asset as at 30 September 2015 (2014: Nil).

### **USE OF PROCEEDS FROM THE SHARE OFFER**

The net proceeds from the Company's share offer in September 2015 amounted to approximately HK\$100.0 million (after deducting underwriting commissions and all related expenses). Such net proceeds are intended to be applied in accordance with the proposed application as set out in the section headed "Future Plans and Use of Proceeds" in the Company's prospectus dated 21 August 2015. As at 30 September 2015, the Company did not utilise any of the net proceeds and deposited the entire amount of the net proceeds in bank accounts.

### **CONTINGENT LIABILITIES**

The Group had no significant contingent liabilities as at 30 September 2015 (2014: Nil).

### **CAPITAL COMMITMENTS**

The Group had no significant outstanding capital commitment as at 30 September 2015 (2014: Nil).

### **DIVIDEND**

The Directors of the Company do not recommend any payment of final dividend for the year ended 30 September 2015.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and responsibility. The Board comprises three executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (“CG Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). Since the Listing Date and up to the date of this announcement, the Company has complied with the code provisions under the CG Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS**

The Directors have adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in dealing in the Company’s securities. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code from the Listing Date to 30 September 2015.

## **PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities since the Listing Date and up to 30 September 2015.

## **SCOPE OF WORK**

The figures in respect of the preliminary announcement of the Group’s results for the year ended 30 September 2015 have been agreed by the Group’s auditors, HLB Hodgson Impey Cheng Limited, to the amounts as set out in the Group’s audited 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 the preliminary announcement.

## **AUDIT COMMITTEE**

As at 30 September 2015 and the date of this announcement, the Audit Committee comprised three members, namely Mr. HO Hin Yip (chairman of the Audit Committee), Mr. TANG Hamilton Ty and Mr. LEE Frank King-ting and all of them are independent non-executive Directors. The Audit Committee reviewed the accounting principles and practices adopted by the Group and reviewed the annual results for the year ended 30 September 2015.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This announcement is published on the websites of the Company ([www.lchk.hk](http://www.lchk.hk)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The Company's 2015 annual report will be published on the above websites and despatched to the shareholders on or before 31 January 2016.

By Order of the Board  
**LC Group Holdings Limited**  
**Leong Hing Loong Rudoff**  
*Chairman and Executive Director*

Hong Kong, 17 December 2015

*As at the date of this announcement, the Board comprises Mr. LEONG Hing Loong Rudoff, Ms. CHEW Christina Mooi Chong and Mr. SHIH Steven Chun Ning as executive directors; and Mr. TANG Hamilton Ty, Mr. LEE Frank King-ting and Mr. HO Hin Yip as independent non-executive directors.*