

Lap Kei Engineering (Holdings) Limited 立基工程(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8369



2015

THIRD
QUARTERLY
REPORT

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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.

*This report, for which the directors (the “**Directors**”) of Lap Kei Engineering (Holdings) Limited (the “**Company**”) 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 and its subsidiaries. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

FINANCIAL HIGHLIGHT

- The Group's revenue amounted to approximately HK\$115.6 million for the nine months ended 30 September 2015, representing an increase of approximately HK\$21.3 million or 22.6% as compared with the nine months ended 30 September 2014.
- The profit and total comprehensive income for the period of the Company is approximately HK\$11.0 million for the nine months ended 30 September 2015, representing a decrease of approximately HK\$2.0 million or 15.6% as compared with the nine months ended 30 September 2014, which was mainly due to the listing expenses of approximately HK\$9.8 million incurred during the nine months ended 30 September 2015.
- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2015.

THIRD QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the nine months ended 30 September 2015 (the “**Relevant Period**”), together with the unaudited comparative figures for the corresponding period in 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the nine months ended 30 September 2015

		Nine months ended 30 September	
	Notes	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	3	115,588	94,310
Cost of sales		(92,130)	(72,341)
Gross Profit		23,458	21,969
Other income		8,511	27
Listing expenses		(9,830)	–
Administrative expenses		(8,603)	(6,349)
Finance costs		(87)	(151)
Profit before tax		13,449	15,496
Income tax expense	4	(2,477)	(2,557)
Profit and total comprehensive income for the period		10,972	12,939
Earnings per share			
— Basic and diluted (HK cents)	6	1.01	1.19

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2015

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2015 (audited)	610	–	–	56,716	57,326
Adjustments arising from the reorganisation	(610)	–	610	–	–
Issue of shares by capitalisation of share premium account	10,880	(10,880)	–	–	–
Issue of shares upon placing	1,920	46,080	–	–	48,000
Expenses incurred in connection with the issue of shares upon placing	–	(4,318)	–	–	(4,318)
Deemed distribution to shareholder	–	–	–	(1,279)	(1,279)
Profit and total comprehensive income for the period	–	–	–	10,972	10,972
Dividend recognised as distribution (<i>note 5</i>)	–	–	–	(31,700)	(31,700)
At 30 September 2015 (unaudited)	12,800	30,882	610	34,709	79,001
At 1 January 2014 (audited)	610	–	–	37,563	38,173
Profit and total comprehensive income for the period	–	–	–	12,939	12,939
Dividend to equity holders	–	–	–	(5,100)	(5,100)
At 30 September 2014 (unaudited)	610	–	–	45,402	46,012

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2015

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 April 2015. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The headquarter and principal place of business of the Company in Hong Kong is located at Room 6, 6/F, Block B, Tonic Industrial Centre, 19 Lam Hing Street, Kowloon Bay, Hong Kong.

The Company's issued ordinary shares of HK\$0.01 each have been listed and traded on GEM since 25 September 2015 (the "**Listing Date**").

Pursuant to the reorganisation of the Group (the "**Reorganisation**") in connection with the listing of the shares of the Company (the "**Shares**") on GEM (the "**Listing**"), the Company became the holding company of the companies comprising the Group on 18 May 2015. Details of the Reorganisation are set out in the prospectus of the Company dated 18 September 2015 (the "**Prospectus**") under the section headed "History, Reorganisation and Corporate Structure".

The principal activity of the Company is investment holding. The Group's principal activities are the provision of engineering services for building services systems in Hong Kong.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the Relevant Period have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of the GEM Listing Rules.

HKFRSs include Hong Kong Accounting Standards and interpretations. Intra-group balances and transactions, if any, have been fully and properly eliminated. The unaudited condensed consolidated financial statements of the Group for the Relevant Period should be read in conjunction with the accountants' report of the Group for the years ended 31 December 2013 and 2014 as set out in the appendix 1 to the Prospectus. The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements of the Group for the Relevant Period are consistent with those used in the accountants' report of the Group for the years ended 31 December 2013 and 2014.

HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the Relevant Period. There have been no significant changes to the accounting policies applied in these financial statements for the Relevant Period presented as a result of these developments.

2. BASIS OF PREPARATION (CONTINUED)

The unaudited condensed consolidated financial statements of the Group for the Relevant Period have been prepared under the historical cost convention.

The unaudited condensed consolidated financial statements for the Relevant Period have not been audited by the Company's independent auditor, but have been reviewed by the Company's audit committee.

The preparation of the unaudited condensed consolidated financial statements of the Group for the Relevant Period is in conformity with the HKFRSs requirements in the use of certain critical accounting estimates. The HKFRSs also require the management to exercise their judgements in the process of applying the Group's accounting policies.

The unaudited condensed consolidated financial statements of the Group for the Relevant Period are presented in Hong Kong dollars ("HK\$"), which is the same functional currency of the Company.

3. REVENUE

Revenue represents the fair value of amounts received and receivable for services rendered by the Group to outside customers, less discount. Information reported to the Company's executive Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- (i) Building services engineering work — provision of building services engineering work including ventilation and air-conditioning system, electrical system, plumbing and drainage system, fire services system and other related works
- (ii) Maintenance, repair and other services — provision of maintenance and repair services for building services system and replacement of parts

	Nine months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Building services engineering work	98,668	81,600
Maintenance, repair and other services	16,920	12,710
	115,588	94,310

4. INCOME TAX EXPENSE

	Nine months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Hong Kong profits tax	2,477	2,557

Hong Kong profits tax has been provided at the rate of 16.5% based on the estimated assessable profits of the Group for the periods as stated above.

5. DIVIDEND

During the Relevant Period, the Company and a wholly owned subsidiary of the Company after the Reorganisation, have declared and paid total dividends of HK\$31,704,000 to its then shareholders (Nine months ended 30 September 2014: HK\$5,100,000).

The Board does not recommend the payment of an interim dividend for the Relevant Period.

6. EARNINGS PER SHARE

The calculation of basic earnings per Share is based on the following data:

	Nine months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Earnings:		
Earnings for the purpose of calculating basic earnings per Share (profit and total comprehensive income for the period)	10,972	12,939
	'000	'000
Number of Shares:		
Weighted average number of ordinary Shares for the purpose of calculating basic earnings per Share	1,091,529	1,088,000

The number of ordinary Shares for the purpose of calculating basic earnings per Share has been determined on the assumption that the Reorganisation and the Capitalisation Issue as defined in the Prospectus had been effective on 1 January 2014.

No diluted earnings per Share was presented as there were no potential ordinary Shares in issue during the periods under review.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue increased from approximately HK\$94.3 million for the nine months ended 30 September 2014 to approximately HK\$115.6 million for the Relevant Period, representing a growth of approximately 22.6%. Such increase was mainly due to the increase in both building services engineering work and maintenance, repair and other services provided by the Group as a result of the overall development in the construction industry in Hong Kong and the increase in number of contracting projects undertaken by the Group during the Relevant Period.

Cost of Sales

The Group's cost of sales increased from approximately HK\$72.3 million for the nine months ended 30 September 2014 to approximately HK\$92.1 million for the Relevant Period, representing an increase of approximately 27.4%. Such increase was mainly attributable to the increase in the subcontracting charges with the increase in number of contracting projects undertaken by the Group during the Relevant Period.

Gross Profit

Gross profit of the Group increased by approximately 6.8% from approximately HK\$22.0 million for the nine months ended 30 September 2014 to approximately HK\$23.5 million for the Relevant Period. The increase was mainly driven by the result of increase in revenue for the Relevant Period as discussed above.

Other Income

The Group's other income amounted to less than HK\$0.1 million and approximately HK\$8.5 million for the nine months ended 30 September 2014 and 2015 respectively, the increase was mainly due to the one-off gain of HK\$8.3 million from disposal of properties which were legally and beneficially held by Lap Kei Engineering Company Limited and Wealth E & M Limited (both are wholly owned subsidiaries of the Company) and sold to and purchased by LKW Company Limited in May 2015.

Listing Expenses

During the Relevant Period, the Group recognised non-recurring listing expenses of approximately HK\$9.8 million as expenses in connection with the Listing.

Administrative Expenses

Administrative expenses of the Group increased by approximately 35.5% from approximately HK\$6.3 million for the nine months ended 30 September 2014 to approximately HK\$8.6 million for the Relevant Period. Administrative expenses primarily consist of rental expenses and staff costs. The increase was attributable to the increase in staff salary and bonus due to business expansion during the Relevant Period.

Income Tax Expense

Income tax expense for the Group decreased by approximately 3.2% from approximately HK\$2.6 million for the nine months ended 30 September 2014 to approximately HK\$2.5 million for the Relevant Period. The decrease was mainly due to the decrease in profit before tax, excluding the effect of non-deductible expenses, for examples, the listing expenses and non-chargeable other income items.

Profit and Total Comprehensive Income for the Period

Profit and total comprehensive income for the period decreased by approximately 15.6% from approximately HK\$13.0 million for the nine months ended 30 September 2014 to approximately HK\$11.0 million for the Relevant Period. Such decrease was primarily attributable to the net effect of (i) the listing expenses incurred by the Group for the Listing during the Relevant Period; and (ii) the increase in revenue and gross profit for the Relevant Period. Excluding the one-off exceptional expenses for the Listing of approximately HK\$9.8 million, profit and total comprehensive income for the Relevant Period would reach approximately HK\$20.8 million, representing an increase of approximately 60.8% compared to the corresponding period ended 30 September 2014.

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the provision of engineering services for building services systems in Hong Kong. The Group undertakes building services engineering works which are mainly related to the supply, installation and maintenance of (i) MVAC system; (ii) electrical system; (iii) plumbing and drainage system; and (iv) fire services system.

The contracts the Group entered into with its customers are categorised into two types, namely (i) building services engineering projects for existing buildings and new buildings; and (ii) maintenance, repair and other services (the “**maintenance projects**”) which mainly include provision of maintenance and repair services for building services system and replacement of parts.

For building services engineering projects, the Group is required to complete the engineering works in relation to the installation or upgrade of building services systems as set out in the scope of work under the contracts. For maintenance projects, the Group is required to provide maintenance services for existing building services systems of a property or portfolio of properties over a fixed contract period. Such maintenance services include regular check and maintenance, and emergency call-out service for emergency repair.

Looking forward, the Directors consider that the future opportunities and challenges which the Group faces will be affected by the development of the property market in Hong Kong as well as factors affecting the labour costs and material costs. The Directors are of the view that the number of properties to be built and maintained in Hong Kong is the key driver for the growth of the Hong Kong building services industry.

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 under such future challenges that are commonly faced by all competitors, and the Group will continue to pursue the following key business strategies: (i) further developing the building services engineering business by making use of additional financial resources available from the Listing which allows the Group to undertake more projects of larger scale that require the provision of surety bond; (ii) further expanding the service scope by application for additional licences, permits or qualifications which may be required; and (iii) further strengthening the Group’s engineering department through recruiting additional qualified and experienced staff.

DISCLOSURE OF INTERESTS

A. Directors’ and Chief Executives’ Interests and Short Positions in the Shares, the Underlying Shares or Debentures

As at 30 September 2015, the interests and short positions of the Directors and chief executives of the Company in the Shares, the underlying Shares or 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 were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive was taken or deemed to have under such provision of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the Shares

Name of Director	Nature of interest	Number of the Shares held/ interested in	Percentage of shareholding
Mr. Wong Kang Kwong (“Mr. Wong”)	Interest in controlled corporation (Note 1) Interest of spouse (Note 2)	960,000,000	75%
Ms. So Nui Ho (“Ms. So”)	Interest of spouse (Note 2)	960,000,000	75%

Notes:

1. Mr. Wong beneficially owns 99% of the issued share capital of Golden Luck Limited (“Golden Luck”). By virtue of the SFO, Mr. Wong is deemed to be interested in the same number of the Shares held by Golden Luck.
2. Mr. Wong is the spouse of Ms. So. Under the SFO, Mr. Wong is deemed to be interested in the same number of the Shares in which Ms. So is interested. Ms. So is the spouse of Mr. Wong. Under the SFO, Ms. So is deemed to be interested in the same number of the Shares in which Mr. Wong is interested.

(ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Nature of interest	Number of shares held/ interested in	Percentage of shareholding
Mr. Wong	Golden Luck	Beneficial owner	99	99%
Ms. So	Golden Luck	Beneficial owner	1	1%

Save as disclosed above, as at 30 September 2015, none of the Directors nor chief executive of the Company has registered an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were 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 and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

B. Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares or Underlying Shares

So far as the Directors are aware, as at 30 September 2015, the following persons (other than the Directors or chief executive of the Company) or companies were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules:

Name of shareholder	Nature of interest	Number of the Shares held/ interested in	Long/short position	Percentage of total issued share capital of the Company
Golden Luck	Beneficial owner	960,000,000	Long	75%

Save as disclosed above, as at 30 September 2015, the Directors were not aware of any other persons or companies who had any interest or short position in the Shares or underlying Shares of the Company that was required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

COMPETING INTERESTS

During the Relevant Period, so far as the Directors are aware, none of the Directors or the controlling shareholders of the Company, neither themselves nor their respective close associates (as defined in the GEM Listing Rules) had any business or interest that competes or may compete with the business of the Group, or any other conflict of interests which any such person has or may have with the Group.

INTEREST OF COMPLIANCE ADVISOR

As at 30 September 2015, as notified by the Company's compliance advisor, Messis Capital Limited (the "**Compliance Advisor**"), except for the compliance advisor agreement entered into between the Company and the Compliance Advisor dated on 17 September 2015, neither the Compliance Advisor nor any of its directors, employees or close associates had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Since the Listing Date and up to 30 September 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

Since the Listing Date and up to 30 September 2015, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of provisions of conduct regarding securities transactions by the Directors (the "**Code of Conduct**") on terms no less exacting than the required standards of dealings concerning securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct since the Listing Date and up to 30 September 2015.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the Relevant Period.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 10 September 2015 (the “**Scheme**”). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 30 September 2015.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) on 10 September 2015 with its written terms of reference in compliance with paragraphs C3.3 and C3.7 of the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, nominate and monitor external auditors and to provide advices and comments to the Board on matters related to corporate governance. The Audit Committee consists of three members, namely Mr. Chung Yuk Ming, Christopher, Mr. Fok Ka Chi and Mr. Tam Chun Chung, all being independent non-executive Directors of the Company. Mr. Tam Chun Chung currently serves as the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the Relevant Period.

By order of the Board
Lap Kei Engineering (Holdings) Limited
Wong Kang Kwong
Chairman and executive Director

Hong Kong, 13 November 2015

As at the date of this report, the executive Directors are Mr. Wong Kang Kwong and Ms. So Nui Ho; and the independent non-executive Directors are Mr. Chung Yuk Ming Christopher, Mr. Fok Ka Chi and Mr. Tam Chun Chung.