

LAPCO HOLDINGS LIMITED 立高控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 8472

INTERIM REPORT
2018



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*This report, for which the directors (the “**Directors**”) of Lapco 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. 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.*

The board (the “**Board**”) of directors of Lapco Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the three months and six months ended 30 June 2018, together with the comparative unaudited figures of the corresponding period in 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	4	129,281	102,453	269,078	188,404
Cost of services		(123,609)	(93,307)	(253,246)	(171,371)
Gross profit		5,672	9,146	15,832	17,033
Other income		395	194	414	538
Other gains and losses		1,901	1	2,021	176
Administrative expenses		(7,835)	(6,226)	(14,624)	(10,763)
Listing expenses		–	(6,443)	–	(6,762)
Finance costs		(1,490)	(1,115)	(3,252)	(2,035)
(Loss) profit before taxation	5	(1,357)	(4,443)	391	(1,813)
Income tax credit (expense)	6	122	(267)	(202)	(877)
(Loss) profit and other comprehensive (expense) income attributable to the owners of the Company for the period		(1,235)	(4,710)	189	(2,690)
(Loss) earnings per share	8				
Basic (HK cents)		(0.31)	(1.47)	0.05	(0.84)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	(Unaudited) As at 30 June 2018 HK\$'000	(Audited) As at 31 December 2017 HK\$'000
Non-current assets			
Plant and equipment	9	94,522	97,156
Deposits and prepayments		20,692	19,112
Deposits for acquisition of plant and equipment		495	495
		115,709	116,763
Current assets			
Trade receivables	10	99,538	119,889
Other receivables, deposits and prepayments		11,970	24,148
Tax recoverable		2,827	2,132
Pledged bank balances		21,790	9,080
Bank balances and cash		17,338	21,470
		153,463	176,719
Current liabilities			
Trade payables	12	6,672	5,816
Other payables and accrued charges	13	33,322	40,680
Provisions		1,878	4,190
Amount due to a related party	11	2	13
Bank borrowings	14	80,117	98,788
Other borrowings		3,326	–
Obligations under finance leases		24,230	23,511
		149,547	172,998
Net current assets		3,916	3,721
Total assets less current liabilities		119,625	120,484
Non-current liabilities			
Provisions		2,220	2,020
Deferred tax liabilities		3,328	2,960
Obligations under finance leases		51,702	53,318
		57,250	58,298
Net assets		62,375	62,186
Capital and reserves			
Issued share capital	15	4,000	4,000
Reserves		58,375	58,186
Equity attributable to owners of the Company		62,375	62,186

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company				Total HK\$'000
	Issued share capital HK\$'000	Share Premium HK\$'000	Other reserve HK\$'000	Accumulated profits HK\$'000	
At 1 January 2017 (Audited)	8	–	10,192	24,863	35,063
Loss and total comprehensive expense for the period	–	–	–	(2,690)	(2,690)
At 30 June 2017 (Unaudited)	8	–	10,192	22,173	32,373
At 1 January 2018 (Audited)	4,000	31,362	10,200	16,624	62,186
Profit and total comprehensive income for the period	–	–	–	189	189
At 30 June 2018 (Unaudited)	4,000	31,362	10,200	16,813	62,375

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited)	
	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
NET CASH FROM OPERATING ACTIVITIES	25,522	3,701
INVESTING ACTIVITIES		
Interest received	69	–
Deposits paid for acquisition of plant and equipment	–	(5,218)
Purchases of plant and equipment	(893)	(1,032)
Proceeds from disposal of plant and equipment	2,000	–
Placement of pledged bank balances	(21,790)	–
Withdrawal of pledged bank balances	9,080	–
Repayment from a controlling shareholder	–	398
Advance to a controlling shareholder	–	(2,623)
Other investing activities	–	122
NET CASH USED IN INVESTING ACTIVITIES	(11,534)	(8,353)
FINANCING ACTIVITIES		
Interest paid	(3,252)	(2,035)
Repayment of obligations under finance leases	(14,047)	(7,222)
New bank borrowings raised	3,386	15,469
New other borrowings raised	3,326	4,141
Repayment of bank borrowings	(7,533)	(11,211)
Repayment of other borrowings	–	(187)
Advance from a controlling shareholder	–	8,078
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(18,120)	7,033
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,132)	2,381
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	21,470	4,624
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD represented by bank balances and cash	17,338	7,005

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 August 2016. The shares of the Company were listed on GEM of the Stock Exchange on 18 July 2017. Its parent is Gold Cavaliers International Limited ("**Gold Cavaliers**") (incorporated in the British Virgin Islands ("**BVI**"). Its ultimate controlling parties are Mr. Lam Pak Ling ("**Mr. Lam**"), an executive director of the Company, and Ms. Wong Siu Fan, Beatrice ("**Ms. Wong**"), the common law spouse of Mr. Lam (collectively referred to as the "**Controlling Shareholders**").

The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and principal place of business of the Company is Unit 301A, 3rd Floor, Tower III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong. The Company is an investment holding company. The principal activities of its subsidiaries are engaged in provision of environmental hygiene services, including (a) cleaning services; (b) pest management services; (c) waste management and recycling services; and (d) landscaping services.

The unaudited condensed consolidated financial statements are presented in Hong Kong Dollar ("**HK\$**") which is also the functional currency of the Group.

2. BASIS OF PREPARATION AND PRESENTATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computations used in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those adopted in the preparation of the audited consolidated financial statements for the year ended 31 December 2017 as disclosed in the 2017 annual report of the Company.

The application of the new and revised standards, amendments and interpretations in the current interim period has had no material impact on the results and financial position of the Group and/or disclosures set out in these condensed consolidated financial statements.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

4. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the fair value of amounts received and receivable by the Group to external customers. The Group's operations is solely derived from services provided in Hong Kong during the period.

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

The Group's operating and reportable segments are therefore as follows:

- Cleaning services
- Pest management services
- Waste management and recycling services
- Landscaping services

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

	Cleaning services HK\$'000	Pest management services HK\$'000	Waste management and recycling services HK\$'000	Landscaping services HK\$'000	Total HK\$'000
<i>For the six months ended 30 June 2018</i>					
Segment revenue	187,432	36,073	45,204	369	269,078
Segment results	8,758	3,134	3,934	6	15,832
Other income					414
Other gains and losses					2,021
Administrative expenses					(14,624)
Finance costs					(3,252)
Profit before taxation					391

	Cleaning services HK\$'000	Pest management services HK\$'000	Waste management and recycling services HK\$'000	Landscaping services HK\$'000	Total HK\$'000
<i>For the six months ended 30 June 2017</i>					
Segment revenue	140,305	17,885	29,790	424	188,404
Segment results	10,770	1,799	4,455	9	17,033
Other income					538
Other gains and losses					176
Administrative expenses					(10,763)
Listing expenses					(6,762)
Finance costs					(2,035)
Loss before taxation					(1,813)

There were no inter-segment revenue for the relevant periods.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment results represents the results from each segment without allocation of administrative expenses, other income, other gains and losses, finance costs, listing expenses and income tax expense. This is the measure reported to the chief operating decision maker ("CODM") (i.e. the chief executive officer) for the purposes of resource allocation and assessment of segment performance.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

Segment assets and liabilities

The segment assets and liabilities at the end of each reporting period by operating and reportable segments are as follows:

	Cleaning services	Pest management services	Waste management and recycling services	Landscaping services	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>As at 30 June 2018</i>					
Segment assets	105,545	19,870	68,252	90	193,757
Certain plant and equipment					303
Other receivables, deposits and prepayments					33,157
Tax recoverable					2,827
Pledged bank balances					21,790
Bank balances and cash					17,338
Total assets					269,172
Segment liabilities	29,045	5,590	7,005	57	41,697
Certain other payables and accrued charges					2,397
Bank borrowings					80,117
Other borrowings					3,326
Obligations under finance leases					75,932
Deferred tax liabilities					3,328
Total liabilities					206,797

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

	Cleaning services HK\$'000	Pest management services HK\$'000	Waste management and recycling services HK\$'000	Landscaping services HK\$'000	Total HK\$'000
<i>As at 31 December 2017</i>					
Segment assets	145,321	18,345	65,512	160	229,338
Certain plant and equipment					466
Other receivables, deposits and prepayments					30,996
Tax recoverable					2,132
Pledged bank balances					9,080
Bank balances and cash					21,470
Total assets					293,482
Segment liabilities	36,145	8,372	4,780	103	49,400
Certain other payables and accrued charges					3,319
Bank borrowings					98,788
Obligations under finance leases					76,829
Deferred tax liabilities					2,960
Total liabilities					231,296

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than certain plant and equipment, other receivables, deposits and prepayments, tax recoverable, pledged bank balances and bank balances and cash.
- all liabilities are allocated to operating and reportable segments other than certain other payables and accrued charges, amount due to a controlling shareholder, bank borrowings, other borrowings, obligations under finance leases and deferred tax liabilities.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

5. (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation has been arrived at after charging:

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Auditor's remuneration	9	11	21	23
Directors' remuneration	1,297	743	2,181	1,336
Other staff costs				
– Salaries, bonuses and other benefits	98,898	74,157	202,090	137,830
– Retirement benefit scheme contributions	2,950	2,378	6,077	4,468
Total staff costs	103,145	77,278	210,348	143,634
Depreciation of plant and equipment	7,718	5,435	15,281	9,669
Lease payment under operating leases in respect of land and buildings for minimum lease payments	319	265	677	589

6. INCOME TAX CREDIT (EXPENSE)

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Hong Kong Profits Tax				
– Current tax	490	356	166	(101)
Deferred tax charge	(368)	(623)	(368)	(776)
	122	(267)	(202)	(877)

Note: Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for relevant periods.

7. DIVIDEND

No dividends were paid, declared or proposed during the current and prior interim periods. The Directors of the Company do not recommend payment of interim dividend for the current interim period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

8. (LOSS) EARNINGS PER SHARE

The calculation of the (loss) earnings per share attributable to owners of the Company is based on the following data:

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
(Loss) earnings for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share	(1,235)	(4,710)	189	(2,690)

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2018 '000	2017 '000	2018 '000	2017 '000
Number of shares				
Number of ordinary shares for the purpose of basic (loss) earnings per share	400,000	320,000	400,000	320,000

The number of ordinary shares for the purpose of calculating basic (loss) earnings per share has been determined on the assumption that the reorganisation and the capitalisation issue had been effective on 1 January 2017.

No diluted (loss) earnings per share for the periods was presented as there were no potential ordinary shares in issue during the periods.

9. MOVEMENTS IN PLANT AND EQUIPMENT

During the current interim period, the Group acquired plant and equipment of approximately HK\$12,728,000 (six months ended 30 June 2017: approximately HK\$45,329,900).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

10. TRADE RECEIVABLES

The Group grants credit terms of 60 – 90 days to its customers. An ageing analysis of the trade receivables presented based on the invoice date which approximated the respective dates on which revenue was recognised at the end of each reporting period.

	(Unaudited) 30 June 2018 HK\$'000	(Audited) 31 December 2017 HK\$'000
0 – 30 days	42,845	50,677
31 – 60 days	42,652	49,910
61 – 90 days	10,864	14,856
91 – 180 days	3,118	3,820
Over 180 days	59	626
	99,538	119,889

11. AMOUNT DUE TO A RELATED PARTY

Details of amount due to a related party, which are trade nature, are as follow:

	(Unaudited) 30 June 2018 HK\$'000	(Audited) 31 December 2017 HK\$'000
Kwok Tai Cleaning Service Company Limited ("Kwok Tai") (note)	2	13

Note: Kwok Tai is 100% owned by brother of Mr. Lam. The credit period for purchase of goods is 60 days. The following is an ageing analysis of trading balances with the related party presented based on the invoice date at the end of each reporting period:

	(Unaudited) 30 June 2018 HK\$'000	(Audited) 31 December 2017 HK\$'000
0 – 30 days	2	13

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

12. TRADE PAYABLES

The credit period is 30 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period:

	(Unaudited) 30 June 2018 HK\$'000	(Audited) 31 December 2017 HK\$'000
0 – 30 days	2,260	2,782
31 – 60 days	3,073	1,398
61 – 90 days	861	1,520
Over 90 days	478	116
	6,672	5,816

13. OTHER PAYABLES AND ACCRUED CHARGES

	(Unaudited) 30 June 2018 HK\$'000	(Audited) 31 December 2017 HK\$'000
Salaries payables	30,886	37,361
Other payables and accrued charges	2,436	3,319
	33,322	40,680

14. BANK BORROWINGS

	(Unaudited) 30 June 2018 HK\$'000	(Audited) 31 December 2017 HK\$'000
Secured bank overdrafts	3,386	3,478
Secured bank borrowings:		
Term loans	8,385	12,440
Loans from factoring of trade receivables with full recourse	68,346	82,870
	80,117	98,788

The bank borrowings are at floating rates which carry interest in Hong Kong Dollar Prime Rate plus a spread.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

The ranges of effective interest rates (which are also equal to contractual interest rates) on the Group's bank borrowings are as follows:

	(Unaudited) 30 June 2018	(Audited) 31 December 2017
Effective interest rate per annum: Floating-rate borrowings	2.25%–5.25%	2.25%–5.25%

15. SHARE CAPITAL

On 12 August 2016, the Company was incorporated in the Cayman Islands with an authorised capital of HK\$100,000,000 divided into 10,000,000,000 shares of HK\$0.01 each. Upon its incorporation, 1 new share of HK\$0.01 was allotted and issued to the subscriber and was transferred to Gold Cavaliers at nominal value on the same day.

Details of the share capital of the Company are disclosed as follows:

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2017, 30 June 2017, 1 January 2018 and 30 June 2018	10,000,000,000	100,000
Issued and fully paid:		
At 1 January 2017	1	–
Issue of shares	319	–
At 30 June 2017	320	–
At 1 January 2018 and 30 June 2018	400,000,000	4,000

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

16. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the unaudited condensed consolidated financial statements, the Group had the following transactions with its related parties during the relevant period:

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Total building management fee, rent and rates paid or payable to:				
CCT Limited (<i>note i</i>)	81	86	162	172
Source Mega Inc. Limited (<i>note i</i>)	68	73	137	145
LES Limited (<i>note ii</i>)	67	72	134	142
Subcontracting fee paid or payable to Kwok Tai	30	26	50	56

Notes:

- (i) CCT Limited and Source Mega Inc. Limited are 100% owned by Ms. Wong.
- (ii) LES Limited is 100% owned by Mr. Lam.

The Group has operating lease commitments with related parties as follows:

	(Unaudited) 30 June 2018 HK\$'000	(Audited) 31 December 2017 HK\$'000
Within one year	629	391
In the second to fifth year inclusive	1,001	–
	1,630	391

Compensation of the directors and key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Short-term benefits	2,118	1,358	3,567	2,414
Post-employment benefits	22	22	45	43
	2,140	1,380	3,612	2,457

FINANCIAL REVIEW

The Group's revenue increased by approximately 42.8% from approximately HK\$188.4 million for the six months ended 30 June 2017 to approximately HK\$269.1 million for the six months ended 30 June 2018, primarily attributable to the commencement of certain new street cleaning service contracts, pest control and waste collection contracts. During the six months ended 30 June 2018, the Group's gross profit decreased by approximately 7.1% from approximately HK\$17.0 million for the six months ended 30 June 2017 to approximately HK\$15.8 million for the six months ended 30 June 2018. The Group's cost of services mainly comprise direct labour costs, vehicle expenses, consumables and direct overheads. The gross profit margins for the six months ended 30 June 2017 and 2018 were approximately 9.0% and approximately 5.9%, respectively. The reduction in the gross profit margin was mainly caused by the higher vehicle expenses and higher direct labour costs. During the six months ended 30 June 2018, vehicle expenses increased significantly by approximately HK\$14.7 million as compared to the corresponding period in 2017 which was mainly attributable to the increase in number of vehicles for operation. The direct labour cost for the six months ended 30 June 2018 increased by approximately 48.4% as compared to the same period of 2017 due to higher headcounts for new projects.

Other income decreased to approximately HK\$414,000 for the six months ended 30 June 2018 from approximately HK\$538,000 for the corresponding period in 2017, primarily attributable to the one-off vehicle rental income of approximately HK\$182,000 recorded in 2017.

The Group recorded other net gains of approximately HK\$2.0 million for the six months ended 30 June 2018 as compared to other net gains of approximately HK\$176,000 for the corresponding period in 2017 mainly due to the gain on disposal of motor vehicles of approximately HK\$2.0 million for the six months ended 30 June 2018.

Administrative expenses increased to approximately HK\$14.6 million for the six months ended 30 June 2018 from approximately HK\$10.8 million for the six months ended 30 June 2017, mainly due to i) the increase in salaries and welfares of approximately HK\$744,000 million resulting from the additional headcounts, ii) the increase in legal and professional fee of approximately HK\$1.3 million following the listing of the Company.

The Group's finance costs increased by approximately 59.8% from approximately HK\$2.0 million for the six months ended 30 June 2017 to approximately HK\$3.3 million for the six months ended 30 June 2018, primarily attributable to the increase in interest expenses on obligations under finance leases for vehicles purchased and increase in interest expenses on factoring of trade receivables.

The Group recorded a net profit after taxation for the six months 30 June 2018 of approximately HK\$189,000, as compared to a net loss of approximately HK\$2.7 million for the corresponding period in 2017. Excluding the non-recurring listing expenses, the net profits for the respective periods were approximately HK\$189,000 and HK\$4.1 million.

BUSINESS REVIEW AND OUTLOOK

We are an established and one-stop environmental service provider based in Hong Kong. Our environmental hygiene services cover four types, namely (a) cleaning services; (b) pest management services; (c) waste management and recycling services; and (d) landscaping services. We provide our environmental hygiene services to a wide range of venues including streets, cultural, leisure and recreational premises, residential premises, commercial buildings, markets, restaurants and academic institutions etc. Our major customers during the period ended 30 June 2018 include various departments of the HK Government, property management companies and other corporations in the private sector.

The successful listing of the Company's shares on GEM of the Stock Exchange on 18 July 2017 ("**Listing Date**") was a milestone for the Group in improving capital strength and corporate governance as well as enhancing its competitive edge.

We provided tender and quotations for our street cleaning solutions. We are confident about the outlook of the Group and the prospects of the environmental cleaning service industry, and thereby have been investing heavily on purchase of additional motor vehicles, cleaning machinery and equipment so as to expand our business and enhance our ability to undertake more projects.

Furthermore, we intend to build on our track record and capitalize on our customer relationship to secure additional opportunities to offer our services. We believe that our long-standing relationship with some of our key customers does provide us with significant advantages to continue to increase our market share. As many of our customers, such as government departments of Hong Kong and property management companies, have multiple projects in Hong Kong, we will continue to foster their confidence in our service delivery with a view to identifying and acquiring new opportunities to serve them.

Undoubtedly, we intend to secure more tender contracts with government departments of Hong Kong that have not previously engaged our services. With our considerable resources, including our stable and sizeable labour force and growing fleet of specialized vehicles, we believe that we are particularly well-equipped to undertake new projects of government departments of Hong Kong, which generally require cleaning services providers with substantial resources, such as our Group, to undertake their medium and large scale projects.

By bolstering our sales and marketing manpower to promote our brand recognition in the coming years, we will endeavour to become more competitive and be able to compete for more sizeable and profitable projects.

Liquidity, Financial and Capital Resources

As at 30 June 2018, total borrowings of the Group amounted to approximately HK\$83.4 million (31 December 2017: approximately HK\$98.8 million) which represented the secured bank overdraft, secured term loans, secured loans from factoring of trade receivables with full resource and other borrowings. As at 30 June 2018, the bank balances and cash and pledged bank balances of the Group amounted to approximately HK\$39.1 million (31 December 2017: approximately HK\$30.6 million). As at 30 June 2018, debt to equity ratio of the Group was 192.8% (31 December 2017: 233.3%). Debt to equity ratio is calculated by dividing the net debt, which is defined to include bank borrowings, other borrowings and obligations under finance leases net of pledged bank balances and bank balances and cash, by total equity at the end of the respective periods. Current ratio as at 30 June 2018 was approximately 1.0 times (31 December 2017: approximately 1.0 times).

The Group maintained sufficient working capital as at 30 June 2018 with bank balances and cash of approximately HK\$17.3 million (31 December 2017: approximately HK\$21.5 million). The Board of Directors will continue to follow a prudent treasury policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business.

As at 30 June 2018, the Group's net current assets amounted to approximately HK\$3.9 million (31 December 2017: approximately HK\$3.7 million). The Group's operations are financed principally by operating cashflow generated from its business operation, available cash and bank balances, bank borrowings and obligations under finance leases.

Capital Structure

As at 30 June 2018, the share capital and equity attributable to owners of the Company amounted to approximately HK\$4,000,000 and approximately HK\$62,375,000, respectively (31 December 2017: approximately HK\$4,000,000 and approximately HK\$62,186,000, respectively).

Pledge of Assets

As at 30 June 2018, certain bank deposits and motor vehicles of the Group were pledged to secure the Group's borrowings.

Exchange Rate Exposure

Most of transactions of the Group are denominated in Hong Kong dollars and the Group is not exposed to significant foreign exchange exposure.

Contingent Liabilities

As at 30 June 2018, performance guarantee of approximately HK\$84,295,000 (31 December 2017: HK\$71,544,000) and nil (31 December 2017: approximately HK\$18,178,000) were given by banks and an insurance company respectively in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to its customers to whom performance guarantee have been given, such customers may demand the banks and the insurance company to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks and the insurance company accordingly. The performance guarantee will be released upon completion of the service contracts.

At the end of each reporting period, the Directors do not consider that a claim will be made against the Group.

Significant Investments held, Material Acquisition or Disposal of Subsidiaries and Affiliated Companies

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2017 and 2018.

Capital Commitment

As at 30 June 2018, the Group had no material capital commitment (31 December 2017: nil).

Employee and Emolument Policies

As at 30 June 2018, the Group had 3,426 employees (31 December 2017: 3,815 employees). Remuneration is determined with reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, are paid to employees as recognition and in reward for their contributions. Other fringe benefits such as medical insurance, retirement benefits and other allowances are offered to all the full time employees.

USE OF PROCEEDS

The net proceeds from the issue of new shares of the Company through the Public Offer of an aggregate of 10,000,000 Public Offer Shares and the placing of 90,000,000 ordinary shares of HK\$0.01 each in the share capital of the Company at the price of HK\$0.50 per share, after deducting the underwriting commission and estimated listing expenses borne by our Group and excluding the net proceeds of the Sale Shares, were approximately HK\$18.7 million ("**Actual Proceeds**"), as compared to the estimated net proceeds of approximately HK\$20.8 million as disclosed in the prospectus dated 30 June 2017 of the Company (the "**Prospectus**"), there were shortage of approximately HK\$2.1 million mainly due to the additional listing expenses at final payment. Accordingly, the Group has adjusted the use of proceeds on a pro-rata basis. The utilization of net proceeds as at 30 June 2018 is set out below:

Summary of use of proceeds

Use of net proceeds	Total planned amount to be used HK\$' million	Planned use of proceed up to 30 June 2018 HK\$' million	Actual amount utilized up to 30 June 2018 HK\$' million	Actual balance as at 30 June 2018 HK\$' million
Procure additional vehicles	9.0	5.00	5.00	4.00
Procure additional equipment	0.9	0.66	0.66	0.24
Hire additional staff	1.4	0.80	0.80	0.60
Enhance information technology application system to enhance operational efficiency	2.7	1.50	–	2.70
Repay a bank loan	2.9	2.90	1.90	1.00
General working capital	1.8	0.80	0.80	1.00
Total	18.7	11.66	9.16	9.54

The Directors will constantly evaluate the Group's business objectives and will change or modify the plans against the changing market condition to suit the business growth of the Group.

Corporate Governance Code

After the Listing Date, the Company has complied with the Corporate Governance Code in Appendix 15 to the GEM Listing Rules (the “**CG Code**”), except for the deviation from CG Code provision A.2.1 as set out in Appendix 15 to the GEM Listing Rules. Mr. Lam is the chairman of the Board and the chief executive officer of the Company and has been managing the Group’s business and supervising the overall operations and management of the Group since 1990. The Directors consider that vesting the roles of the chairman of our Board and the chief executive officer of the Company in Mr. Lam is beneficial to the management and business development of the Group and will provide a strong and consistent leadership to the Group. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole. The Directors will review the corporate governance policies and compliance with the CG Code each financial period and comply with the “comply or explain” principle in the corporate governance report which will be included in the annual report for the year ending 31 December 2018.

Interest of the Compliance Adviser

As confirmed by the Company’s compliance adviser, Octal Capital Limited (the “**Compliance Adviser**”), save for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 13 November 2016, none of the Compliance Adviser or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

Competing Business

For the six months ended 30 June 2018, none of the Directors, controlling shareholders or substantial shareholders of the Company or any of their respective close associates (as defined under the GEM Listing Rules) is engaged in any business that competes or may complete, directly or indirectly, with the business of the Group or has any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such persons has or may have with the Group.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2018, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571), 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 they are taken or deemed to have under such provisions 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 Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

Interests in the Company

Name of Director	Capacity/nature of interest	Number of ordinary shares	Approximate shareholding
Mr. Lam	Beneficiary of a discretionary trust (<i>Note</i>)	300,000,000	75%

Note: All the 300,000,000 Shares are beneficially owned by Gold Cavaliers. Gold Cavaliers is held as to approximately 78.67% (7,867 shares) by Max Super Holdings Limited ("**Max Super**") acting as the trustee of the Lam Family Trust. The Lam Family Trust was established by Mr. Lam and Ms. Wong as the settlors on 8 August 2016 as a discretionary trust for the benefit of themselves. Mr. Lam is one of the Controlling Shareholders, an executive Director and chief executive officer of the Company. By virtue of the SFO, Mr. Lam is thus deemed to be interested in the shares in which Gold Cavaliers is interested.

Interests in associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/nature of interest	Number of ordinary shares	Approximate shareholding
Mr. Lam	Gold Cavaliers	Beneficiary of a discretionary trust	7,867	78.67%

All the interests disclosed above represent long positions in the shares and underlying shares of the Company.

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of 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 they were taken or deemed to have under such provisions 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 Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2018, the following persons had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of ordinary shares	Approximate shareholding
Mr. Lam	Beneficiary of a discretionary trust	300,000,000	75%
Ms. Wong	Beneficiary of a discretionary trust	300,000,000	75%
Max Super	Interest in a controlled corporation and trustee of a discretionary trust	300,000,000	75%
Gold Cavaliers	Beneficial interest (<i>Note</i>)	300,000,000	75%

Note:

1. Gold Cavaliers is held as to approximately 78.67% by Max Super acting as the trustee of the Lam Family Trust. The Lam Family Trust was established by Mr. Lam and Ms. Wong as the settlors on 8 August 2016 as a discretionary trust for the benefit of themselves.

Each member of Gold Cavaliers, Max Super, Mr. Lam, Ms. Wong, Magic Pioneer Limited, Mr. Xiong Jianrui, Mr. Choi Chung Yin, Mr. Tam Wai Tong, Mr. Tam Wai Ho, Croydon Capital Advisors Limited, Earnmill Holdings Limited, TTNB Profit Limited, and Kiteway Assets Limited, or together as a group, is considered as a group of Controlling Shareholders under the GEM Listing Rules.

All the interests disclosed above represent long positions in the shares and underlying shares of the Company.

Save as disclosed above, as at the date of this report, the Directors are not aware of any interests and short positions owned by any parties (other than a Director and chief executive) in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also made specific enquiry with all Directors, and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors from the date of Listing Date and up to the date of this report.

AUDIT COMMITTEE

The Company established the audit committee on 24 June 2017 with written terms of reference in compliance with the GEM Listing Rules. The audit committee comprises the three independent non-executive Directors, namely Mr. Mak Kwok Kei, Ms. Lam Kit Yan and Mr. Ho Kin Wai. Ms. Lam Kit Yan currently serves as the chairman of the audit committee. The duties of the audit committee include reviewing, in draft form, the annual report and accounts, half-year report and quarterly reports and providing advice and comments to the Board. In this regard, members of the audit committee will liaise with the Board, the senior management and auditors. The audit committee will also consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and give consideration to any matters that have been raised by the accounting staff, compliance officer or auditors. Members of the audit committee are also responsible for reviewing our Group's financial reporting process and internal control system.

Up to the date of approval of the Group's unaudited results for the six months ended 30 June 2018, the audit committee had held meeting and had reviewed the draft interim report and unaudited consolidated financial statements for the six months ended 30 June 2018 prior to recommending such report and unaudited condensed consolidated financial statements to the Board for approval.

REMUNERATION COMMITTEE

The Company established the remuneration committee on 24 June 2017 which comprises one executive Director and two independent non-executive Directors, namely Mr. Lam, Mr. Mak Kwok Kei and Mr. Ho Kin Wai. Mr. Ho Kin Wai currently serves as the chairman of the remuneration committee. The remuneration committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for the remuneration of all the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy.

NOMINATION COMMITTEE

The Company established the nomination committee on 24 June 2017 which comprises one executive Director and two independent non-executive Directors, namely Mr. Lam, Mr. Mak Kwok Kei and Mr. Ho Kin Wai. Mr. Lam currently serves as the chairman of the nomination committee. The nomination committee is mainly responsible for making recommendations to the Board on appointment of the Directors and succession planning for the Directors.

By order of the Board

Lapco Holdings Limited

Lam Pak Ling

*Chairman, chief executive officer
and executive Director*

Hong Kong, 10 August 2018

As at the date of this report, the Board comprises three executive Directors, namely Mr. Lam Pak Ling, Mr. Cai Weiming and Mr. Wong Tsz Chun, Jacky; one non-executive Director, namely Mr. Choi Chung Yin; and three independent non-executive Directors, namely Mr. Mak Kwok Kei, Ms. Lam Kit Yan and Mr. Ho Kin Wai.

This report will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at www.lapco.com.hk.

In case of any inconsistency, the English text of this report shall prevail over the Chinese text.