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## **Lapco Holdings Limited**

### **立高控股有限公司**

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

**(Stock Code: 8472)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018**

### **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized 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 that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

*For the year ended 31 December 2018*

	<i>Notes</i>	<b>Year ended 31 December</b>	
		<b>2018</b>	<b>2017</b>
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Revenue	3	<b>529,838</b>	448,021
Cost of services		<b>(504,604)</b>	(418,842)
Gross profit		<b>25,234</b>	29,179
Other income	4	<b>1,132</b>	953
Other gains and losses	4	<b>(197)</b>	440
Administrative expenses		<b>(32,188)</b>	(24,142)
Listing expenses		<b>–</b>	(9,749)
Finance costs	5	<b>(6,865)</b>	(5,128)
Loss before taxation	6	<b>(12,884)</b>	(8,447)
Income tax credit	7	<b>1,197</b>	208
Loss and total comprehensive expense for the year attributable to owners of the Company		<b>(11,687)</b>	(8,239)
Loss per share			
– Basic ( <i>HK cents</i> )	9	<b>(2.92)</b>	(2.31)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

		As at 31 December	
		2018	2017
	Notes	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Plant and equipment		83,966	97,156
Deposits and prepayments		5,602	19,112
Deposits for acquisition of plant and equipment		233	495
		<u>89,801</u>	<u>116,763</u>
<b>Current assets</b>			
Trade receivables	10	129,778	119,889
Other receivables, deposits and prepayments		25,694	24,148
Tax recoverable		1,651	2,132
Pledged bank balances		21,790	9,080
Bank balances and cash		11,458	21,470
		<u>190,371</u>	<u>176,719</u>
<b>Current liabilities</b>			
Trade payables	11	7,242	5,816
Other payables and accrued charges		38,694	40,680
Provisions		5,078	4,190
Amount due to a related party		–	13
Bank borrowings		110,220	98,788
Obligations under finance leases		22,510	23,511
		<u>183,744</u>	<u>172,998</u>
Net current assets		<u>6,627</u>	<u>3,721</u>
Total assets less current liabilities		<u>96,428</u>	<u>120,484</u>
<b>Non-current liabilities</b>			
Provisions		1,020	2,020
Deferred tax liabilities		933	2,960
Obligations under finance leases		43,976	53,318
		<u>45,929</u>	<u>58,298</u>
Net assets		<u>50,499</u>	<u>62,186</u>
<b>Capital and reserves</b>			
Issued share capital	12	4,000	4,000
Reserves		46,499	58,186
Equity attributable to owners of the Company		<u>50,499</u>	<u>62,186</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Issued share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (note 1)	Accumulated profits HK\$'000	Total HK\$'000
At 1 January 2017	8	–	10,192	24,863	35,063
Loss and total comprehensive expense for the year	–	–	–	(8,239)	(8,239)
Effect of reorganisation	(8)	–	8	–	–
Issue of new shares	800	39,200	–	–	40,000
Capitalisation issue (note 2)	3,200	(3,200)	–	–	–
Transaction costs attributable to issue of new shares	–	(4,638)	–	–	(4,638)
At 31 December 2017	4,000	31,362	10,200	16,624	62,186
Loss and total comprehensive expense for the year	–	–	–	(11,687)	(11,687)
<b>At 31 December 2018</b>	<b>4,000</b>	<b>31,362</b>	<b>10,200</b>	<b>4,937</b>	<b>50,499</b>

Notes:

- (1) Other reserve represented the difference between the share capital of Lapco Service Limited (“**Lapco Service**”), Shiny Glory Services Limited (“**Shiny Glory**”) and Shiny Hope Limited (“**Shiny Hope**”) and that of Sharp Idea Global Limited (“**Sharp Idea**”) issued pursuant to a group reorganisation.
- (2) On 18 July 2017, a sum of approximately HK\$3,200,000 standing to the credit of the share premium account of the Company was capitalised by paying up in full at par at total of 319,999,680 shares of the Company for allotment and issue to the persons whose name appeared on register of members of the Company at the close of business on 24 June 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Lapco Holdings Limited (the “**Company**”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 12 August 2016. The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 18 July 2017. Its parent is Gold Cavaliers International Limited (“**Gold Cavaliers**”) (incorporated in the British Virgin Islands). Its ultimate controlling parties are Mr. Lam Pak Ling (“**Mr. Lam**”), the executive director of the Company and Ms. Wong Siu Fan, Beatrice (“**Ms. Wong**”), common law spouse of Mr. Lam, (collectively referred to as the “**Controlling Shareholders**”). The addresses of the Company’s registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Unit No.301A, 3/F, Tower III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong respectively.

The Company is an investment holding company and its principal 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 functional currency of the Company is Hong Kong dollar (“**HK\$**”), which is the same as the presentation currency of the consolidated financial statements.

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

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

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Hong Kong (International Financial Reporting Interpretation Committee) Interpretation (“ <b>HK(IFRIC) – INT</b> ”) 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 “Financial Instruments” with HKFRS 4 “Insurance Contracts”
Amendments to Hong Kong Accounting Standard (“ <b>HKAS</b> ”) 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2020

### 3. REVENUE AND SEGMENT INFORMATION

#### Revenue

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

#### (i) For the year ended 31 December 2018

An analysis of the Group's revenue from services by segment for the year is as follows:

	<b>2018</b> <b>HK\$'000</b>
<i>Types of services</i>	
Cleaning services	<b>360,767</b>
Pest management services	<b>79,923</b>
Waste management and recycling services	<b>88,543</b>
Landscaping services	<b>605</b>
	<hr/> <b>529,838</b> <hr/>

#### (ii) For the year ended 31 December 2017

An analysis of the Group's revenue from services by segment for the year is as follows:

	2017 HK\$'000
<i>Types of services</i>	
Cleaning services	327,807
Pest management services	43,353
Waste management and recycling services	75,924
Landscaping services	937
	<hr/> 448,021 <hr/>

## Segment information

Information reported to Mr. Lam, being the chairman of the Company and the chief operating decision maker (the “CODM”), 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

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

	Cleaning services <i>HK\$'000</i>	Pest management services <i>HK\$'000</i>	Waste management and recycling services <i>HK\$'000</i>	Landscaping services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>For the year ended 31 December 2018</b>					
Segment revenue – external customers	<u>360,767</u>	<u>79,923</u>	<u>88,543</u>	<u>605</u>	<u>529,838</u>
Segment results	<u>16,304</u>	<u>5,369</u>	<u>3,547</u>	<u>14</u>	<u>25,234</u>
Other income					1,132
Other gains and losses					(197)
Administrative expenses					(32,188)
Finance costs					<u>(6,865)</u>
Loss before taxation					<u>(12,884)</u>
<b>For the year ended 31 December 2017</b>					
Segment revenue – external customers	<u>327,807</u>	<u>43,353</u>	<u>75,924</u>	<u>937</u>	<u>448,021</u>
Segment results	<u>17,703</u>	<u>3,684</u>	<u>7,783</u>	<u>9</u>	29,179
Other income					953
Other gains and losses					440
Administrative expenses					(24,142)
Listing expenses					(9,749)
Finance costs					<u>(5,128)</u>
Loss before taxation					<u>(8,447)</u>

There was no inter-segment revenue for both years.

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 other income, other gains and losses, administrative expenses, listing expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

## Segment assets and liabilities

The segment assets and liabilities at the end of 31 December 2018 (“**Reporting Period**”) by operating and reportable segments are as follows:

	Cleaning services <i>HK\$'000</i>	Pest management services <i>HK\$'000</i>	Waste management and recycling services <i>HK\$'000</i>	Landscaping services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 31 December 2018</b>					
Segment assets	135,288	21,118	56,885	47	213,338
Certain plant and equipment					406
Certain other receivables, deposits and prepayments					31,529
Tax recoverable					1,651
Pledged bank balances					21,790
Bank balances and cash					11,458
Total assets					<u>280,172</u>
Segment liabilities	31,681	7,776	7,019	53	46,529
Certain other payables and accrued charges					5,505
Bank borrowings					110,220
Obligations under finance leases					66,486
Deferred tax liabilities					933
Total liabilities					<u>229,673</u>

	Cleaning services <i>HK\$'000</i>	Pest management services <i>HK\$'000</i>	Waste management and recycling services <i>HK\$'000</i>	Landscaping services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 31 December 2017</b>					
Segment assets	145,321	18,345	65,512	160	229,338
Certain plant and equipment					466
Certain other receivables, deposits and prepayments					30,996
Tax recoverable					2,132
Pledged bank balances					9,080
Bank balances and cash					21,470
Total assets					<u>293,482</u>
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					<u>231,296</u>

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, certain 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, bank borrowings, obligations under finance leases and deferred tax liabilities.

### Other segment information

	Cleaning services <i>HK\$'000</i>	Pest management services <i>HK\$'000</i>	Waste management and recycling services <i>HK\$'000</i>	Landscaping services <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>For the year ended 31 December 2018</b>							
Additions to plant and equipment	6,632	8,742	1,633	1	17,008	-	17,008
Depreciation of plant and equipment	12,325	4,213	13,519	1	30,058	60	30,118
Gain on disposal/written off of plant and equipment, net	<u>1,361</u>	<u>302</u>	<u>334</u>	<u>2</u>	<u>1,999</u>	<u>-</u>	<u>1,999</u>
<b>For the year ended 31 December 2017</b>							
Additions to plant and equipment	28,911	38	46,887	1	75,837	142	75,979
Depreciation of plant and equipment	11,220	1,844	10,031	78	23,173	315	23,488
Gain on disposal/written off of plant and equipment, net	<u>192</u>	<u>45</u>	<u>26</u>	<u>-</u>	<u>263</u>	<u>-</u>	<u>263</u>

## Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of services provided and the Group's plant and equipment amounting to HK\$83,966,000 (2017: HK\$97,156,000) as at 31 December 2018 are all located in Hong Kong by physical location of assets.

## Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue is as follows:

	Year ended 31 December	
	2018 HK\$'000	2017 HK\$'000
Customer A <sup>1</sup>	445,911	341,132
Customer B <sup>2</sup>	N/A <sup>3</sup>	60,054

<sup>1</sup> Revenue from cleaning services, waste management and recycling services and landscaping services.

<sup>2</sup> Revenue from cleaning services and waste management and recycling services.

<sup>3</sup> The corresponding revenue did not constitute over 10% of the total revenue of the Group.

## 4. OTHER INCOME/OTHER GAINS AND LOSSES

### Other income

	Year ended 31 December	
	2018 HK\$'000	2017 HK\$'000
Bank interest income	173	98
Interest income from payment for life insurance policies	758	520
Sundry income	201	335
	<u>1,132</u>	<u>953</u>

### Other gains and losses

	Year ended 31 December	
	2018 HK\$'000	2017 HK\$'000
Gain on disposal/written off of plant and equipment, net	1,999	263
Net foreign exchange gains	99	177
Loss on life insurance policies	(2,295)	–
	<u>(197)</u>	<u>440</u>

## 5. FINANCE COSTS

	Year ended 31 December	
	2018	2017
	HK\$'000	HK\$'000
Interests on:		
Bank borrowings	4,159	3,152
Obligations under finance leases	2,706	1,976
	<u>6,865</u>	<u>5,128</u>

## 6. LOSS BEFORE TAXATION

	Year ended 31 December	
	2018	2017
	HK\$'000	HK\$'000
Loss before taxation has been arrived at after charging:		
Auditor's remuneration	1,200	1,200
Depreciation of plant and equipment	30,118	23,488
Directors' remuneration	4,032	3,232
Other staff costs		
Salaries, bonuses and other benefits	402,729	328,952
Retirement benefits scheme contributions	11,855	10,509
Total staff costs	418,616	342,693
Minimum lease payments under operating leases in respect of land and buildings	1,349	1,306

## 7. INCOME TAX CREDIT

	Year ended 31 December	
	2018	2017
	HK\$'000	HK\$'000
Hong Kong Profits Tax:		
– Current tax	(805)	(206)
– Underprovision in previous years	(25)	(216)
Deferred tax credit	2,027	630
	<u>1,197</u>	<u>208</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Subsequent to the end of the Reporting Period, Hong Kong Inland Revenue Department initiated tax enquiries on the Hong Kong subsidiaries of the Company for the years of assessment from 2011/12 onwards. The scope and outcome of the tax audit cannot be readily ascertained at this stage. The directors of the Company believed that no significant amount of additional profits tax will be payable by the Group and no provision for additional Hong Kong Profits Tax is necessary at this initial stage.

## 8. DIVIDEND

No dividends were paid, declared and proposed by the Company during the year ended 31 December 2018 (2017: nil).

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

## 9. LOSS PER SHARE

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

	<b>2018</b> <i>HK\$'000</i>	<b>2017</b> <i>HK\$'000</i>
<b>Loss</b>		
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	<u>(11,687)</u>	<u>(8,239)</u>
	<b>2018</b>	2017
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>400,000,000</u>	<u>356,602,740</u>

The weighted average number of ordinary shares for the purpose of calculating loss per share has been determined on the assumption that the reorganisation and the capitalisation issue (details as disclosed in note 12) had been effective on 1 January 2017.

No diluted loss per share for the years was presented as there were no potential ordinary shares in issue during both years.

## 10. TRADE RECEIVABLES

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to HK\$129,778,000 and HK\$119,889,000, respectively.

The following is an analysis of the trade receivables by types of customers.

	As at 31 December	
	2018	2017
	HK\$'000	HK\$'000
Government customers	124,652	112,529
Non-government customers	5,126	7,360
	<u>129,778</u>	<u>119,889</u>

The Group grants credit terms of 90 days to its customers. An ageing analysis of the trade receivables presented based on the invoice dates which approximated the respective dates on which revenue was recognised at the end of the Reporting Period.

	As at 31 December	
	2018	2017
	HK\$'000	HK\$'000
0–30 days	44,615	50,677
31–60 days	43,208	49,910
61–90 days	28,441	14,856
91–180 days	13,364	3,820
Over 180 days	150	626
	<u>129,778</u>	<u>119,889</u>

## 11. 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 the Reporting Period:

	As at 31 December	
	2018	2017
	HK\$'000	HK\$'000
0–30 days	2,179	2,782
31–60 days	1,045	1,398
61–90 days	1,219	1,520
Over 90 days	2,799	116
	<u>7,242</u>	<u>5,816</u>

## 12. ISSUED SHARE CAPITAL

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, 31 December 2017 and 2018	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 January 2017	1	–
Issue of shares on 14 June 2017 ( <i>note i</i> )	319	–
Issue of shares on 18 July 2017 ( <i>note ii</i> )	80,000,000	800
Capitalisation issue ( <i>note iii</i> )	<u>319,999,680</u>	<u>3,200</u>
At 31 December 2017 and 2018	<u>400,000,000</u>	<u>4,000</u>

### Notes:

- (i) On 14 June 2017, pursuant to the share swap agreement entered into amongst Champion Success Development Limited (“**Champion Success**”), Magic Pioneer Limited (“**Pre-IPO investor**”) and the Company, Champion Success and Pre-IPO Investor transferred their entire equity interests in Sharp Idea to the Company in exchange of 299 and 20 shares of the Company of HK\$0.01 each were issued at par to Gold Cavaliers and Profound Wellness Holdings Limited, respectively, at the direction of Champion Success and Pre-IPO Investor.
- (ii) The shares of the Company have been listed on GEM of the Stock Exchange by way of placing on 18 July 2017. 80,000,000 shares of the Company of HK\$0.01 each were issued at a placing and public offer price of HK\$0.5 per share.
- (iii) On 18 July 2017, 319,999,680 shares of the Company were issued through capitalisation of approximately HK\$3,200,000 standing to the credit of share premium account of the Company.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **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 included various departments of the HK Government, property management companies and other corporations in the private sector.

During the Reporting Period, the intensified competition in the environmental hygiene service industry, shortage of labour and rising operating costs, especially soaring labour costs, vehicle expenses, legal and professional expenses, insurance charges and financing costs, put undue pressure on our gross profit, net profit and profit margin. During the Reporting Period, although the newly launched large-scale contracts for public and private environmental hygiene services drove the growth in revenue, the Group recorded a loss due to the increase in operating costs.

The profit margin of the street cleaning contracts, which account for the largest proportion of the Group's business, has been narrowed. Therefore, we have also invested resources to secure more profitable and promising business from both private and public sectors to broaden the customer base. Such efforts started to be reflected during the Reporting Period.

During the Reporting Period, we provided tenders and quotations for our street cleaning solutions. As at the date of this announcement, we had submitted seven subsisting tenders for our street cleaning solutions. We are optimistic about 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 strengthen 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 both government departments of Hong Kong and private sectors 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 and private sectors, which generally require cleaning services providers with substantial resources, such as our Group, to undertake their medium-size 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.

Considering the prospects of fintech and big data application across the globe and to equip the Company with the capability to embrace the rapid and incessant infiltration of technology across different sectors, on 28 January 2019, the Company and Noble Sovereignty Capital Group Limited reached initial consensus and entered into a memorandum of understanding in relation to the proposed formation of a joint venture company (as detailed in the announcement on the same date) to explore training, recruitment and export of talents in the application of blockchain, internet technology and fintech, the outsourcing services for blockchain and internet technology projects, investment advisory services, a talent community ecosystem for blockchain and internet technology projects, business operations under <https://www.senbit.cc>, and the potential of diversifying the Company's business. It is hoped that the proposal can enhance the returns for the Company and the shareholders as a whole from a long-term perspective. At present, the two parties have yet to enter into a legally binding agreement on the proposed joint venture. Whether it can be materialized or not, the Company will make necessary announcement in accordance with the GEM Listing Rules.

## **Financial Results**

Revenue of the Group increased by 18.3% from approximately HK\$448.0 million for the year ended 31 December 2017 to approximately HK\$529.8 million for the Reporting Period. The Group, however, significantly increased the cost of service by 20.5% to approximately HK\$504.6 million (2017: approximately HK\$418.8 million) and recorded a significant decrease of approximately 13.7% in gross profit to approximately HK\$25.2 million (2017: approximately HK\$29.2 million). Gross profit margin also decreased by 1.7% to 4.8% (2017: 6.5%). Such decrease was mainly attributable to the significant revenue contribution contracts which have lower gross profit margins compared to other contracts. Coupled with the increase in administrative expenses and finance costs, the Company recorded a loss attributable to equity shareholders of the Company (the "**Shareholders**") for the year ended 31 December 2018 which amounted to approximately HK\$11.7 million as compared to the loss attributable to the Shareholders for the year ended 31 December 2017 of approximately HK\$8.2 million.

## HUMAN RESOURCES

As at 31 December 2018, the Group employed 3,567 employees, including both full time and part time (31 December 2017: 3,815). Remuneration packages are generally structured by reference to market terms, individual qualifications and experience.

During the Reporting Period, various training activities, such as training on operational safety, administrative and management skills, were conducted to improve the quality of front-end services, office support and management. In addition, employees are also encouraged, subsidised and sponsored to attend job-related seminars and courses organised by professional and/or educational institution to ensure the smooth and effective management of the Group's business.

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the years ended 31 December 2018 and 2017 were approximately HK\$529.8 million and HK\$448.0 million, respectively, representing an increase of approximately 18.3%. The increase was mainly driven by the new contracts awarded during the Reporting Period in our service segments of cleaning, landscaping and pest management.

The following table sets forth our revenue by business segments during the years ended 31 December 2018 and 2017:

	For the year ended 31 December			
	2018		2017	
	HK\$'000	%	HK\$'000	%
Cleaning services	360,767	68.1	327,807	73.2
Pest management services	79,923	15.1	43,353	9.7
Waste management and recycling services	88,543	16.7	75,924	16.9
Landscaping services	605	0.1	937	0.2
Total	<u>529,838</u>	<u>100.0</u>	<u>448,021</u>	<u>100.0</u>

The revenue from cleaning services increased by approximately 10.1% for the year ended 31 December 2018 as compared to that of the previous year as certain cleaning services contracts commenced during the year. The revenue from pest management services increased significantly by approximately 84.4% for the year ended 31 December 2018 as compared to the previous year as certain pest management services contracts commenced during the year. The revenue from waste management and recycling services increased by approximately 16.6% for the year ended 31 December 2018 as compared to the previous year as certain mega waste management and recycling services contracts commenced during the year.

More details of the Group's performance for the Reporting Period by business segments are set out in note 3 to this announcement.

## **Cost of Services**

For the years ended 31 December 2018 and 2017, the cost of services of the Group amounted to approximately HK\$504.6 million and HK\$418.8 million respectively, representing approximately 95.2% and 93.5% of the Group's revenue for the corresponding years. Our cost of services mainly consists of direct labour costs, vehicle expenses, consumables, and direct overheads. The cost of services increased in proportion to the Group's revenue during the Reporting Period as several newly commenced contracts have lower gross profit margins as compared to other contracts.

## **Gross Profit**

The Group's gross profit for the year ended 31 December 2018 was approximately HK\$25.2 million, representing a decrease of approximately 13.7% from approximately HK\$29.2 million for the year ended 31 December 2017. The decrease was mainly due to the increase in cost of services of the Group.

## **Gross Profit Margin**

The gross profit margins of the Group for the years ended 31 December 2018 and 2017 were approximately 4.8% and 6.5% respectively. As mentioned above, the decrease in gross profit margin was mainly attributable to the commencement of several contracts with lower gross profit margin during the Reporting Period.

## **Administrative Expenses**

The administrative expenses incurred by the Group for the years ended 31 December 2018 and 2017 were approximately HK\$32.2 million and HK\$24.1 million respectively, representing an increase of approximately 33.6%, and approximately 6.1% and 5.4% of the respective year's total revenue. The increase was mainly attributable to the full year impact on higher staff costs, post-listing professional expenses and the increase in bank charges resulting from the review of bank facilities. The Group continues to implement its budgeted cost control measures for administrative expenses.

## **Finance Costs**

The finance costs of the Group amounted to approximately HK\$6.9 million and HK\$5.1 million for the years ended 31 December 2018 and 2017 respectively, representing approximately 1.3% and approximately 1.1% of the Group's revenue in the respective years.

## **Loss Attributable to Owners of The Company**

As a result of the foregoing, the loss attributable to the Shareholders for the year ended 31 December 2018 amounted to approximately HK\$11.7 million as compared to the loss attributable to the Shareholders of approximately HK\$8.2 million for the year ended 31 December 2017.

## **FOREIGN CURRENCY EXPOSURE**

The Group's foreign currency exposure is limited as most of its transactions, assets and liabilities are denominated in Hong Kong dollars.

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

As at 31 December 2018, total bank borrowings of the Group amounted to approximately HK\$110.2 million (2017: approximately HK\$98.8 million) which represented the secured bank overdrafts, secured term loans and secured loans from factoring of trade receivables with full resource. As at 31 December 2018, the cash and cash equivalents and pledged bank balances of the Group amounted to approximately HK\$33.2 million (2017: approximately HK\$30.6 million). As at 31 December 2018, debt to equity ratio of the Group was approximately 284.1% (2017: approximately 233.3%). Debt to equity ratio is calculated by dividing the net debt, which is defined to include bank 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 years. Current ratio as at 31 December 2018 was approximately 1.0 time (2017: approximately 1.0 time).

The Group maintained sufficient working capital as at 31 December 2018 with bank balances and cash of approximately HK\$11.5 million (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 31 December 2018, the Group's net current assets amounted to approximately HK\$6.6 million (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 lease.

## **CONTINGENT LIABILITIES**

As at 31 December 2018, performance guarantee of approximately HK\$72,802,000 (2017: HK\$71,544,000) and HK\$Nil (2017: 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 to pay the sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance guarantee will be released upon completion of the service contracts.

## 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 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 31 December 2018 is set out below:

### Summary of use of proceeds

Use of net proceeds	Total planned amount to be used <i>HK\$' million</i>	Planned use of proceed up to 31 December 2018 <i>HK\$' million</i>	Actual amount utilized up to 31 December 2018 <i>HK\$' million</i>	Unutilized balance as at 31 December 2018 <i>HK\$' million</i>
Procure additional vehicles	9.0	6.3	6.3	2.7
Procure additional equipment	0.9	0.9	0.9	–
Hire additional staff	1.4	1.1	1.1	0.3
Enhance information technology application system to enhance operational efficiency	2.7	2.7	0.1	2.6
Repay a bank loan	2.9	2.9	2.9	–
General working capital	1.8	1.1	1.1	0.7
	<u>18.7</u>	<u>15.0</u>	<u>12.4</u>	<u>6.3</u>
Total	<u>18.7</u>	<u>15.0</u>	<u>12.4</u>	<u>6.3</u>

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.

## CHARGES ON THE GROUP’S ASSETS

As at 31 December 2018, the amounts payable under finance leases within one year was approximately HK\$22.5 million (31 December 2017: HK\$23.5 million), and after one year but within five years was approximately HK\$44.0 million (31 December 2017: HK\$53.3 million).

As at 31 December 2018, we had approximately HK\$106.9 million (31 December 2017: HK\$95.3 million) of secured bank borrowings (excluding secured bank overdrafts). Such loans were primarily used in financing the working capital requirement of our operations.

The amount of term loans reduced to approximately HK\$10.5 million as at 31 December 2018 (31 December 2017: HK\$12.4 million).

In addition, we have (i) pledged bank balances of approximately HK\$21.8 million as at 31 December 2018 (31 December 2017: HK\$9.1 million) and (ii) pledged the Group's trade receivables of approximately HK\$115.2 million as at 31 December 2018 (31 December 2017: HK\$107.4 million).

Save as mentioned above in this section, we did not have any outstanding mortgages or charges, borrowings or indebtedness including bank overdrafts, loans or debentures, loan capital, debt securities or other similar indebtedness, finance lease or hire purchase.

## **ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT HELD**

During the Reporting Period, the Group did not make any material acquisition, disposal nor significant investment.

## **CORPORATE GOVERNANCE PRACTICES**

The corporate governance practices of the Group are based on the principles and the code provisions in the Corporate Governance Code (the “Code”) as set out in Appendix 15 to the GEM Listing Rules.

During the year ended 31 December 2018, the Company has complied with all the applicable code provisions of the Code, except for the deviation from code provision A.2.1 as described below.

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 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 ended 31 December 2018.

## **APPOINTMENT, RE-ELECTION AND RETIREMENT OF THE DIRECTORS**

In accordance with article 84 of the Articles, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years.

In accordance with article 83(3) of the Articles, any director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting; of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

Pursuant to articles 83(3) and 84 of the Articles, Mr. Tam Yiu Shing, Billy, Ms. Lam Kit Yan and Mr. Ho Kin Wai will retire from office as Directors at the forthcoming AGM, and being eligible, will offer themselves for re-election.

Each of Mr. Lam Pak Ling, Mr. Cai Weiming and Mr. Wong Tsz Chun, Jacky, being all executive Directors, has entered into a service agreement with the Company for an initial term of three years commencing from 24 June 2017 and continuing thereafter until terminated by either party by giving not less than one month's prior written notice.

Mr. Tam Yiu Shing, Billy, being an executive Director has entered into a service agreement with the Company for an initial term of three years commencing from 25 January 2019 and continuing thereafter until terminated by either party by giving not less than one month's prior written notice to the other.

Each of Mr. Mak Kwok Kei, Ms. Lam Kit Yan and Mr. Ho Kin Wai, being all independent non-executive Directors, has entered into a service agreement with the Company for a term of three years commencing from 24 June 2017 which may be terminated by either party by giving not less than one month's prior written notice to the other.

No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## **MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Group has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules, as the code of conduct for securities transactions by the Directors in respect of the shares of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by directors during the year ended 31 December 2018.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the date of this report, none of the Directors of the Company and directors of the Company's subsidiaries, or their respective associates had interests in business, which compete or are likely to compete either directly or indirectly, with the business of the Company and its subsidiaries as required to be disclosed pursuant to the GEM Listing Rules.

## **PERMITTED INDEMNITY PROVISION AND INSURANCE**

Pursuant to the Articles and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force throughout the Reporting Period. The Company has arranged for appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES**

As at 31 December 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 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 International Limited (“**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 Siu Fan, Beatrice (“**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 31 December 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.

## EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2018, two shareholders of the Company entered into shareholder’s loan agreements with a wholly-owned subsidiary of the Company pursuant to which shareholders’ loan with aggregate amount of HK\$6,500,000 was advanced to the Group which is unsecured, interest-free. Both shareholders have agreed not to demand for repayment on the shareholders’ loan until the Group is in the financial position to repay the amount.

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

## **ANNUAL GENERAL MEETING (“AGM”)**

The forthcoming AGM will be held on Monday, 6 May 2019. A notice convening the AGM will be published in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 23 April 2019 to Friday, 26 April 2019, both days inclusive, during which period no transfer of Shares will be registered. For determining the entitlement of members of the Company to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 18 April 2019.

## **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 officers or auditors. Members of the Audit Committee are also responsible for reviewing our Group’s financial reporting process and internal control and risk management systems.

The Group’s final results for the year ended 31 December 2018 had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee is of the view that the annual results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

By order of the Board of  
**Lapco Holdings Limited**  
**Lam Pak Ling**

*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 22 March 2019

*As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Lam Pak Ling, Mr. Cai Weiming, Mr. Wong Tsz Chun, Jacky and Mr. Tam Yiu Shing, Billy; and three independent non-executive Directors, namely Mr. Mak Kwok Kei, Ms. Lam Kit Yan and Mr. Ho Kin Wai.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no matters the omission of which would make any statement in this announcement misleading.*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and on the Company's website at [www.lapco.com.hk](http://www.lapco.com.hk).*

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