



LAPCO HOLDINGS LIMITED
立高控股有限公司

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

Interim Report 2021

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

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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 2021, together with the comparative unaudited figures of the corresponding period in 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Three months ended 30 June		Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	4	209,999	160,049	389,292	330,513
Cost of services		(196,398)	(151,199)	(365,536)	(312,054)
Gross profit		13,601	8,850	23,756	18,459
Other income		23	3,332	142	3,418
Other losses and gains		(979)	(2)	387	(2)
Administrative expenses		(9,270)	(7,164)	(17,775)	(14,168)
Finance costs		(1,090)	(2,104)	(2,236)	(3,896)
Profit before taxation	5	2,285	2,912	4,274	3,811
Income tax expense	6	(377)	(481)	(705)	(629)
Profit and other comprehensive income attributable to owners of the Company for the period		1,908	2,431	3,569	3,182
Earnings per share	8				
Basic (HK cents)		0.48	0.61	0.89	0.80



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Non-current assets			
Plant and equipment	9	13,813	8,562
Right-of-use assets		38,095	38,733
Deposits and prepayments		113	6,289
Deposits for acquisition of plant and equipment		700	700
		52,721	54,284
Current assets			
Trade receivables	10	144,752	105,626
Other receivables, deposits and prepayments		15,786	14,811
Tax recoverable		627	627
Pledged bank balances		24,200	43,490
Bank balances and cash		52,258	35,583
		237,623	200,137
Current liabilities			
Trade payables	11	4,335	4,926
Other payables and accrued charges	12	61,387	47,685
Provisions		39,272	30,340
Bank and other borrowings	13	90,994	81,666
Lease liabilities		19,917	22,774
Tax payables		1,495	587
		217,400	187,978
Net current assets		20,223	12,159
Total assets less current liabilities		72,944	66,443
Non-current liabilities			
Provisions		6,342	3,976
Deferred tax liabilities		88	88
Lease liabilities		9,323	8,757
		15,753	12,821
Net assets		57,191	53,622
Capital and reserves			
Issued share capital	14	4,000	4,000
Reserves		53,191	49,622
Equity attributable to owners of the Company		57,191	53,622

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company				
	Issued share capital HK\$'000	Share Premium HK\$'000	Other reserve HK\$'000 (note)	Accumulated profits (losses) HK\$'000	Total HK\$'000
At 1 January 2020 (Audited)	4,000	31,362	11,051	(11,178)	35,235
Profit and total comprehensive income for the period (Unaudited)	-	-	-	3,182	3,182
At 30 June 2020 (Unaudited)	4,000	31,362	11,051	(7,996)	38,417
At 1 January 2021 (Audited)	4,000	31,362	11,051	7,209	53,622
Profit and total comprehensive income for the period (Unaudited)	-	-	-	3,569	3,569
At 30 June 2021 (Unaudited)	4,000	31,362	11,051	10,778	57,191

Note: Other reserve represented the difference between the share capital of Lapco Service Limited, Shiny Glory Services Limited and Shiny Hope Limited and that of Sharp Idea Global Limited issued pursuant to a group reorganisation completed in 2017 and fair value adjustment on the non-current shareholder loans using the effective interest rate of 7.5% per annum.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June

	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES	28,570	35,008
INVESTING ACTIVITIES		
Interest received	17	102
Purchases of plant and equipment	(7,748)	(745)
Proceeds from disposal of plant and equipment	1,644	–
NET CASH USED IN FROM INVESTING ACTIVITIES	(6,087)	(643)
FINANCING ACTIVITIES		
Interest paid	(2,236)	(3,896)
Repayment of lease liabilities	(12,882)	(13,200)
Repayment of bank and other borrowings	(15,590)	(11,229)
Placement of pledged bank balances	(5,500)	–
Withdrawal of pledged bank balances	24,790	–
Proceeds from early termination of life insurance policies	5,610	–
NET CASH USED IN FINANCING ACTIVITIES	(5,808)	(28,325)
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,675	6,040
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	35,583	21,032
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD represented by bank balances and cash	52,258	27,072



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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.

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**") and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the consolidated financial statements for the year ended 31 December 2020.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

The Group has not early applied new and revised standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new and revised standards, amendments and interpretations will have no material impact on the results and financial position of the Group.

Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will apply with the conditions attaching to them and the grants will be received.

Government grants relate to income that are receivable as compensation for expenses or less already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

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 ("**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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 2021 (Unaudited)</i>					
Segment revenue	313,487	29,711	45,821	273	389,292
Segment results	21,814	693	1,243	6	23,756
Other income					142
Other gains and losses					387
Administrative expenses					(17,775)
Finance costs					(2,236)
Profit before taxation					4,274

	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 2020 (Unaudited)</i>					
Segment revenue	263,630	22,478	44,288	117	330,513
Segment results	16,419	827	1,209	4	18,459
Other income					3,418
Other gains and losses					(2)
Administrative expenses					(14,168)
Finance costs					(3,896)
Profit before taxation					3,811

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 CODM 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 2021

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 HK\$'000	Pest management services HK\$'000	Waste management and recycling services HK\$'000	Landscaping services HK\$'000	Total HK\$'000
<i>As at 30 June 2021 (Unaudited)</i>					
Segment assets	146,464	13,792	34,118	153	194,527
Certain plant and equipment					256
Certain right-of-use assets					2,577
Certain other receivables, deposits and prepayments					15,899
Tax recoverable					627
Pledged bank balances					24,200
Bank balances and cash					52,258
Total assets					290,344
Segment liabilities	82,627	7,663	8,685	56	99,031
Certain other payables and accrued charges					10,009
Certain provisions					2,296
Bank and other borrowings					90,994
Lease liabilities					29,240
Tax payables					1,495
Deferred tax liabilities					88
Total liabilities					233,153

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

	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 2020</i>					
Segment assets	108,365	9,781	32,458	87	150,691
Certain plant and equipment					256
Certain right-of-use assets					2,674
Certain other receivables, deposits and prepayments					21,100
Tax recoverable					627
Pledged bank balances					43,490
Bank balances and cash					35,583
Total assets					254,421
Segment liabilities	64,013	5,262	10,567	49	79,891
Certain other payables and accrued charges					4,740
Certain provisions					2,296
Bank and other borrowings					81,666
Lease liabilities					31,531
Tax payable					587
Deferred tax liabilities					88
Total liabilities					200,799

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 right-of-use assets, certain other receivables, deposits and prepayments, 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, certain provisions, tax payable, bank and other borrowings, lease liabilities and deferred tax liabilities.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

5. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Auditor's remuneration	300	303	600	612
Directors' remuneration	1,703	1,577	4,072	2,820
Other staff costs				
– Salaries, bonuses and other benefits	159,858	122,325	297,697	251,143
– Retirement benefit scheme contributions	4,488	3,321	8,430	6,880
Total staff costs	166,049	127,223	310,199	260,843
Depreciation of right-of-use assets, plant and equipment	7,153	7,341	14,035	14,725

6. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Hong Kong Profits Tax				
– Current tax	377	481	705	629

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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.

8. EARNINGS PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Earnings for the period attributable to owners of the Company for the purpose of basic earnings per share	1,908	2,431	3,569	3,182

	Three months ended 30 June		Six months ended 30 June	
	2021 '000 (Unaudited)	2020 '000 (Unaudited)	2021 '000 (Unaudited)	2020 '000 (Unaudited)
Number of shares				
Number of ordinary shares for the purpose of basic earnings per share	400,000	400,000	400,000	400,000

No diluted earnings per share for the periods was presented as there were no ordinary shares issued during the periods.

9. MOVEMENTS IN PLANT AND EQUIPMENT

During the current interim period, the Group acquired plant and equipment of approximately HK\$7,748,000 (six months ended 30 June 2020: approximately HK\$745,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

10. TRADE RECEIVABLES

The Group grants credit terms of 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.

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
0 – 30 days	71,726	59,826
31 – 60 days	64,802	42,730
61 – 90 days	6,866	2,212
91 – 180 days	1,168	837
Over 180 days	190	21
	144,752	105,626

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 each reporting period:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
0 – 30 days	3,678	2,733
31 – 60 days	657	2,025
61 – 90 days	–	166
Over 90 days	–	2
	4,335	4,926

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

12. OTHER PAYABLES AND ACCRUED CHARGES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Salaries payables	48,073	42,945
Other payables and accrued charges	13,314	4,740
	61,387	47,685

13. BANK AND OTHER BORROWINGS

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Secured and guaranteed bank borrowings:		
Revolving loan	–	3,200
Loans from factoring of trade receivables with full recourse	89,314	64,396
Unsecured and unguaranteed other borrowings	1,680	3,070
Unsecured and unguaranteed shareholder loans	–	11,000
	90,994	81,666

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

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

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Effective interest rate per annum:		
Floating-rate borrowings	1.42%-6.25%	1.42%-5.25%

The other borrowings are at fixed rate which carry interest rate from 6.5%.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. 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 2020, 30 June 2020, 1 January 2021 and 30 June 2021	10,000,000,000	100,000
Issued and fully paid:		
At 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	400,000,000	4,000

15. 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:

	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Total building management fee, rent and rates paid or payable to:				
CCT Limited (<i>note i</i>)	9	9	17	17
Source Mega Inc. Limited (<i>note i</i>)	8	8	16	16
LES Limited (<i>note ii</i>)	9	9	17	17
Interest on lease liabilities paid or payable to:				
CCT Limited (<i>note i</i>)	7	4	8	9
Source Mega Inc. Limited (<i>note i</i>)	6	3	7	7
LES Limited (<i>note ii</i>)	6	3	7	7
Imputed interest expense on shareholder loans	-	669	-	796

Notes:

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

The Group has lease liabilities with related parties as follows:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
CCT Limited	785	99
Source Mega Inc. Limited	659	83
LES Limited	646	81

Compensation of the directors and key management personnel

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

	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Short-term benefits	2,328	2,173	5,144	3,811
Post-employment benefits	23	23	45	45
	2,351	2,196	5,189	3,856



FINANCIAL REVIEW

The Group's revenue increased by approximately 17.8% from approximately HK\$330.5 million for the six months ended 30 June 2020 to approximately HK\$389.3 million for the six months ended 30 June 2021, primarily attributable to the commencement of certain new cleaning service, pest control and waste collection contracts. During the six months ended 30 June 2021, the Group's gross profit increased by approximately 28.6% from approximately HK\$18.5 million for the six months ended 30 June 2020 to approximately HK\$23.8 million for the six months ended 30 June 2021. The Group's cost of services mainly comprises direct labour costs, vehicle expenses, consumables and direct overheads. The gross profit margins for the six months ended 30 June 2020 and 2021 were approximately 5.6% and approximately 6.1%, respectively. The improvement in the gross profit margins was mainly caused by our strategies of enhancing our operational efficiencies.

Other income decreased significantly by approximately 95.8% from approximately HK\$3.4 million for the six months ended 30 June 2020 to approximately HK\$142,000 for the six months ended 30 June 2021. The decrease was mainly due to the lack of the contribution from the anti-epidemic fund subsidy of commercial vehicles of approximately HK\$2.5 million and administration fee on anti-epidemic fund for cleansing workers of approximately HK\$800,000 recorded in the six months ended 30 June 2020.

Administrative expenses increased by approximately 25.5% from approximately HK\$14.2 million for the six months ended 30 June 2020 to approximately HK\$17.8 million for the six months ended 30 June 2021, mainly due to the increase in salaries and welfares of approximately HK\$3.1 million resulting from the increase of headcount and bonus payment.

The Group's finance costs decreased by approximately 42.6% from approximately HK\$3.9 million for the six months ended 30 June 2020 to approximately HK\$2.2 million for the six months ended 30 June 2021, primarily attributable to the decrease in interest expenses on lease liabilities for vehicles purchased, decrease in interest expenses on factoring of trade receivables and the drop in imputed interest expense on shareholder loans to zero.

The Group's net profit after taxation for the six months 30 June 2021 increased by approximately 12.2% to approximately HK\$3.6 million, as compared to approximately HK\$3.2 million for the corresponding period in 2020. It was mainly attributed to 1) our strategies of enhancing our operational efficiencies; and 2) commencement of certain new cleaning services, pest control and waste collection contracts.

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 2021 include various departments of the Hong Kong Government, property management companies and other corporations in the private sector.

The improvement in financial performance in the Reporting Period was mainly driven by the commencement of new tender contracts with higher profit margins, as well as the strategies of enhancing our operational efficiency. Moreover, public and private organizations have stepped up epidemic prevention efforts in response to the spread of COVID-19, which also resulted in an increase in the demand for cleaning services of the Group.

During the Reporting Period, the competition in the environmental hygiene service industry remained keen. Shortage of labour and high operating costs, particularly the insurance expenses, labour costs, vehicle expenses, legal and professional expenses continued to be the challenges of the business.

During the Reporting Period, we provided tenders and quotations for our street cleaning solutions. We are optimistic about the prospects of the environmental cleaning service industry, and thereby have been investing 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 service. 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.

We have been cautious when bidding tenders, and will continue to invest resources to secure more promising business with higher gross profit from both public and private sectors to strengthen the business foundation. During the Reporting Period, this strategy was successful, and the profit margins of street cleaning contracts, which account for the largest proportion of the Group's business, were greatly improved.

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.

Looking ahead, the global and local economies are expected to continue to fluctuate due to COVID-19 epidemic. The Group will remain vigilant and actively respond to the impact of the epidemic on the Group's operation and financial position, and will fully support the anti-epidemic work in Hong Kong on an on-going basis and to contribute to the society by the Group's professional services. Although the environment in the future is still full of challenges and uncertainties, with the increasing public awareness of environmental hygiene and health as well as the escalating demand for services in response to the long-term anti-epidemic efforts, we are optimistic and confident about the future of the environmental hygiene service industry.

Liquidity, Financial and Capital Resources

As at 30 June 2021, total borrowings of the Group amounted to approximately HK\$91.0 million (31 December 2020: approximately HK\$81.7 million) which represented the secured and guaranteed bank borrowings including revolving loans, and loans from factoring of trade receivables with full recourse and other borrowings. As at 30 June 2021, the bank balances and cash and pledged bank balances of the Group amounted to approximately HK\$76.5 million (31 December 2020: approximately HK\$79.1 million). As at 30 June 2021, debt to equity ratio of the Group was 76.5% (31 December 2020: 63.6%). Debt to equity ratio is calculated by dividing the net debt, which is defined to include bank and other borrowings and lease liabilities 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 2021 was approximately 1.1 times (31 December 2020: approximately 1.1 times).

The Group maintained sufficient working capital as at 30 June 2021 with bank balances and cash of approximately HK\$52.3 million (31 December 2020: approximately HK\$35.6 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 2021, the Group's net current assets amounted to approximately HK\$20.2 million (31 December 2020: approximately HK\$12.2 million). The Group's operations are financed principally by operating cashflow generated from its business operation, available cash and bank balances, bank and other borrowings and lease liabilities.

Capital Structure

As at 30 June 2021, the share capital and equity attributable to owners of the Company amounted to approximately HK\$4,000,000 and approximately HK\$57,191,000, respectively (31 December 2020: approximately HK\$4,000,000 and approximately HK\$53,622,000, respectively).



Pledge of Assets

As at 30 June 2021, trade receivables, bank deposits and motor vehicles of the Group were pledged to secure the Group's borrowings.

As at 31 December 2020, trade receivables, life insurance policies, 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 2021, performance guarantee of approximately HK\$125,285,000 (31 December 2020: HK\$102,778,000) 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.

As at 30 June 2020 and 2021, 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 2020 and 2021.

Capital Commitment

As at 30 June 2021, the Group had capital commitments of HK\$6,872,000 for acquisition of additional motor vehicles to expand our fleet of specialized vehicles (31 December 2020: HK\$3,603,000).

Employee and Emolument Policies

As at 30 June 2021, the Group had approximately 3,834 employees (31 December 2020: approximately 3,177 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 2021 is set out below:



Summary of Use of Proceeds

Use of net proceeds	Total planned amount to be used HK\$' million	Actual amount utilized up to 31 December 2020 HK\$' million	Actual amount utilized during the period ended 30 June 2021 HK\$' million	Actual amount utilized up to 30 June 2021 HK\$' million	Unutilized balance as at 30 June 2021 HK\$' million	Expected timeline for utilising the remaining
						Net Proceeds as at 30 June 2021
Procure additional vehicles	9.0	9.0	-	9.0	-	
Procure additional equipment	0.9	0.9	-	0.9	-	
Hire additional staff	1.4	1.4	-	1.4	-	
Enhance information technology application system to enhance operational efficiency	2.7	0.4	0.2	0.6	2.1	On or before 31 December 2021
Repay a bank loan	2.9	2.9	-	2.9	-	
General working capital	1.8	1.8	-	1.8	-	
Total	18.7	16.4	0.2	16.6	2.1	

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 2021.

Competing Business

For the six months ended 30 June 2021, 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 2021, 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 2021, 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>)	236,010,000	59%

Note: All the 236,010,000 Shares are beneficially owned by Gold Cavaliers. Gold Cavaliers is wholly held 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	10,000	100%

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 2021, 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 2021, 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	236,010,000	59%
Ms. Wong	Beneficiary of a discretionary trust	236,010,000	59%
Max Super	Interest in a controlled corporation and trustee of a discretionary trust	236,010,000	59%
Gold Cavaliers	Beneficial interest	236,010,000	59%

Notes:

1. Gold Cavaliers is wholly-owned 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, 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 30 June 2021, the Directors were 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 5% 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 2021, the audit committee had held meeting and had reviewed the draft interim report and unaudited condensed consolidated financial statements for the six months ended 30 June 2021 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, 13 August 2021

As at the date of this report, 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 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.