



LAPCO HOLDINGS LIMITED

立高控股有限公司

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

Interim Report 2022

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.

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*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 2022, together with the comparative unaudited figures of the corresponding period in 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Three months ended 30 June		Six months ended 30 June	
		2022	2021	2022	2021
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	4	253,430	209,999	450,691	389,292
Cost of services		(240,043)	(196,398)	(427,213)	(365,536)
Gross profit		13,387	13,601	23,478	23,756
Other income		3,137	23	4,954	142
Other gains and losses		312	(979)	313	387
Administrative expenses		(8,545)	(9,270)	(15,869)	(17,775)
Finance costs		(1,312)	(1,090)	(2,255)	(2,236)
Profit before taxation	5	6,979	2,285	10,621	4,274
Income tax expense	6	(538)	(377)	(1,139)	(705)
Profit and other comprehensive income attributable to owners of the Company for the period		6,441	1,908	9,482	3,569
Earnings per share	8				
Basic (HK cents)		1.61	0.48	2.37	0.89

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Non-current assets			
Plant and equipment	9	29,676	18,720
Right-of-use assets		31,955	32,686
Deposits and prepayments		12,020	–
Deposits for acquisition of plant and equipment		2,620	3,873
		76,271	55,279
Current assets			
Trade receivables	10	181,050	119,815
Other receivables, deposits and prepayments		19,073	12,181
Tax recoverable		416	1,355
Pledged bank balances		21,700	21,700
Bank balances and cash		16,836	40,483
		239,075	195,534
Current liabilities			
Trade payables	11	13,956	5,683
Other payables and accrued charges	12	78,819	43,817
Provisions		12,904	15,503
Bank and other borrowings	13	103,698	91,904
Lease liabilities		10,848	14,874
Tax payables		1,139	–
		221,364	171,781
Net current assets		17,711	23,753
Total assets less current liabilities		93,982	79,032
Non-current liabilities			
Provisions		13,594	6,611
Deferred tax liabilities		718	718
Lease liabilities		11,205	12,720
		25,517	20,049
Net assets		68,465	58,983
Capital and reserves			
Issued share capital	14	4,000	4,000
Reserves		64,465	54,983
Equity attributable to owners of the Company		68,465	58,983

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company				
	Issued share capital HK\$'000	Share Premium HK\$'000	Other reserve HK\$'000 (note)	Accumulated profits HK\$'000	Total HK\$'000
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
At 1 January 2022 (Audited)	4,000	31,362	11,051	12,570	58,983
Profit and total comprehensive income for the period (Unaudited)	-	-	-	9,482	9,482
At 30 June 2022 (Unaudited)	4,000	31,362	11,051	22,052	68,465

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

	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(14,011)	28,570
INVESTING ACTIVITIES		
Interest received	3	17
Purchases of plant and equipment	(17,343)	(7,748)
Proceeds from disposal of plant and equipment	345	1,644
Contract deposit paid to the customer	(12,020)	–
NET CASH USED IN INVESTING ACTIVITIES	(29,015)	(6,087)
FINANCING ACTIVITIES		
Interest paid	(2,255)	(2,236)
Repayment of lease liabilities	(10,216)	(12,882)
New bank and other borrowings raised	33,661	–
Repayment of bank and other borrowings	(1,811)	(15,590)
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 FROM (USED IN) FINANCING ACTIVITIES	19,379	(5,808)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(23,647)	16,675
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	40,483	35,583
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD represented by bank balances and cash	16,836	52,258

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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.

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 2022 are the same as those followed in the preparation of the consolidated financial statements for the year ended 31 December 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 2022

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 2022 (Unaudited)</i>					
Segment revenue	354,148	33,249	63,045	249	450,691
Segment results	25,259	404	(2,191)	6	23,478
Other income					4,954
Other gains and losses					313
Administrative expenses					(15,869)
Finance costs					(2,255)
Profit before taxation					10,621

	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

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 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 2022

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 2022 (Unaudited)</i>					
Segment assets	188,788	12,995	53,289	88	255,160
Certain plant and equipment					256
Certain right-of-use assets					1,905
Certain other receivables, deposits and prepayments					19,073
Tax recoverable					416
Pledged bank balances					21,700
Bank balances and cash					16,836
Total assets					315,346
Segment liabilities	82,265	7,723	14,645	58	104,691
Certain other payables and accrued charges					13,286
Certain provisions					1,296
Bank and other borrowings					103,698
Lease liabilities					22,053
Tax payables					1,139
Deferred tax liabilities					718
Total liabilities					246,881

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

	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 2021</i>					
Segment assets	110,099	15,098	48,661	222	174,080
Certain plant and equipment					208
Certain right-of-use assets					1,994
Certain other receivables, deposits and prepayments					10,993
Tax recoverable					1,355
Pledged bank balances					21,700
Bank balances and cash					40,483
Total assets					<u>250,813</u>
Segment liabilities	48,929	7,943	7,797	57	64,726
Certain other payables and accrued charges					5,592
Certain provisions					1,296
Bank and other borrowings					91,904
Lease liabilities					27,594
Deferred tax liabilities					718
Total liabilities					<u>191,830</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 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 2022

5. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Auditor's remuneration	300	300	600	600
Directors' remuneration	1,080	1,703	1,907	4,072
Other staff costs				
– Salaries, bonuses and other benefits	194,677	159,858	341,409	297,697
– Retirement benefit scheme contributions	6,520	4,488	10,307	8,430
Total staff costs	202,277	166,049	353,623	310,199
Depreciation of right-of-use assets, plant and equipment	6,616	7,153	13,661	14,035

6. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Hong Kong Profits Tax				
– Current tax	538	377	1,139	705

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 2022

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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Earnings for the period attributable to owners of the Company for the purpose of basic earnings per share	6,441	1,908	9,482	3,569

	Three months ended 30 June		Six months ended 30 June	
	2022 '000 (Unaudited)	2021 '000 (Unaudited)	2022 '000 (Unaudited)	2021 '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\$17,343,000 (six months ended 30 June 2021: approximately HK\$7,748,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
0 – 30 days	87,761	49,326
31 – 60 days	77,480	48,469
61 – 90 days	8,490	12,697
91 – 180 days	6,879	9,115
Over 180 days	440	208
	181,050	119,815

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 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
0 – 30 days	3,858	2,415
31 – 60 days	5,998	3,218
61 – 90 days	3,869	45
Over 90 days	231	5
	13,956	5,683

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

12. OTHER PAYABLES AND ACCRUED CHARGES

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Salaries payables	65,533	35,030
Other payables and accrued charges	13,286	8,787
	78,819	43,817

13. BANK AND OTHER BORROWINGS

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Secured and guaranteed bank borrowings:		
Loans from factoring of trade receivables with full recourse	68,265	88,321
Other bank loans	23,433	3,339
Unsecured and unguaranteed other borrowings	–	244
Unsecured and unguaranteed loan from a director of Company's subsidiaries	12,000	–
	103,698	91,904

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 2022 (Unaudited)	31 December 2021 (Audited)
Effective interest rate per annum:		
Floating-rate borrowings	3.0%-5.0%	3.0%-5.0%

The other borrowings are at fixed rate which carry interest rate from 7.5%.

As at 30 June 2022, the loan from a director of Company's subsidiaries was interest free and repayable on demand.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 2021, 30 June 2021, 1 January 2022 and 30 June 2022	10,000,000,000	100,000
Issued and fully paid:		
At 1 January 2021, 30 June 2021, 1 January 2022 and 30 June 2022	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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Total building management fee, rent and rates paid or payable to:				
CCT Limited	–	9	–	17
Source Mega Inc. Limited	–	8	–	16
LES Limited	–	9	–	17
Interest on lease liabilities paid or payable to:				
CCT Limited	–	7	–	8
Source Mega Inc. Limited	–	6	–	7
LES Limited	–	6	–	7

During the reporting period, the loan from a director of Company's subsidiaries amounted to HK\$12,000,000 was raised. It was interest free and repayable on demand.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Short-term benefits	1,066	2,328	1,880	5,144
Post-employment benefits	14	23	27	45
	1,080	2,351	1,907	5,189

FINANCIAL REVIEW

The Group's revenue increased by approximately 15.8% from approximately HK\$389.3 million for the six months ended 30 June 2021 to approximately HK\$450.7 million for the six months ended 30 June 2022, primarily attributable to the commencement of certain new cleaning service and waste collection contracts. During the six months ended 30 June 2022, the Group's gross profit decreased by approximately 1.2% from approximately HK\$23.8 million for the six months ended 30 June 2021 to approximately HK\$23.5 million for the six months ended 30 June 2022. 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 2021 and 2022 were approximately 6.1% and approximately 5.2%, respectively. The decrease in the gross profit margins was mainly caused by the significant increase in gasoline expenses.

Other income increased significantly by approximately 3,388.7% from approximately HK\$142,000 for the six months ended 30 June 2021 to approximately HK\$5.0 million for the six months ended 30 June 2022. The increase was mainly due to the contribution from the Employment Support Scheme provided by the government of approximately HK\$2.2 million, government subsidy of phasing out diesel commercial vehicles of approximately HK\$1.6 million and administration fee on anti-epidemic fund for cleansing workers of approximately HK\$1.1 million recorded in the six months ended 30 June 2022.

Administrative expenses decreased by approximately 10.7% from approximately HK\$17.8 million for the six months ended 30 June 2021 to approximately HK\$15.9 million for the six months ended 30 June 2022, mainly due to the decrease in salaries and welfares of approximately HK\$1.6 million resulting from the decrease of salaries and bonus payment.

The Group's finance costs increased by approximately 0.8% from approximately HK\$2.2 million for the six months ended 30 June 2021 to approximately HK\$2.3 million for the six months ended 30 June 2022. It mainly comprises interest expenses on lease liabilities for vehicles purchased and interest expenses on factoring of trade receivables.

The Group's net profit after taxation for the six months 30 June 2022 increased by approximately 165.7% to approximately HK\$9.5 million, as compared to approximately HK\$3.6 million for the corresponding period in 2021. It was mainly attributed to 1) other income from Employment Support Scheme, government subsidy of phasing out diesel commercial and administration fee on anti-epidemic fund for cleansing workers of approximately HK\$4.9 million; and 2) decrease of administrative expense of approximately HK\$1.9 million in the Reporting Period.

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 2022 include various departments of the Hong Kong Government, property management companies and other corporations in the private sector.

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 since 2020.

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 2022, the Group's bank balances and cash amounted to approximately HK\$16.8 million (31 December 2021: approximately HK\$40.5 million). Total borrowings of the Group amounted to approximately HK\$103.7 million (31 December 2021: approximately HK\$91.9 million) which represented the secured and guaranteed bank borrowings and loans from factoring of trade receivables with full recourse, other bank loans, unsecured and unguaranteed other borrowings and unsecured and unguaranteed loan from a director of Company's subsidiaries. As at 30 June 2022, the bank balances and cash and pledged bank balances of the Group amounted to approximately HK\$16.8 million (31 December 2021: approximately HK\$40.5 million). As at 30 June 2022, debt to equity ratio of the Group was 127.4% (31 December 2021: 97.2%). 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 2022 was approximately 1.1 times (31 December 2021: approximately 1.1 times).

As at 30 June 2022, the Group's net current assets amounted to approximately HK\$17.7 million (31 December 2021: approximately HK\$23.8 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 2022, the share capital and equity attributable to owners of the Company amounted to approximately HK\$4,000,000 and approximately HK\$68,465,000, respectively (31 December 2021: approximately HK\$4,000,000 and approximately HK\$58,983,000, respectively).

Pledge of Assets

As at 30 June 2022, trade receivables, bank deposits and motor vehicles of the Group were pledged to secure the Group's borrowings.

As at 31 December 2021, 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 2022, performance guarantee of approximately HK\$172,684,000 (31 December 2021: HK\$160,542,000) 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 2021 and 2022, 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 2021 and 2022.

Capital Commitment

As at 30 June 2022, the Group had capital commitments of HK\$19.6 million for acquisition of additional motor vehicles to expand our fleet of specialized vehicles (31 December 2021: HK\$15.3 million).

Employee and Emolument Policies

As at 30 June 2022, the Group had approximately 3,971 employees (31 December 2021: approximately 2,231 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 2022 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 2021 HK\$' million	Actual amount utilized during the period ended 30 June 2022 HK\$' million	Actual amount utilized up to 30 June 2022 HK\$' million	Unutilized balance as at 30 June 2022 HK\$' million	Expected timeline for utilising the remaining
						Net Proceeds as at 30 June 2022
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	0.8	0.3	1.1	1.6	On or before 31 December 2022
Repay a bank loan	2.9	2.9	-	2.9	-	
General working capital	1.8	1.8	-	1.8	-	
Total	18.7	16.8	0.3	17.1	1.6	

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.

Competing Business

For the six months ended 30 June 2022, 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 2022, 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 2022, none of the Directors and chief executive of the Company had any interests or short positions 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2022, 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. Cheung Chun Man, Anthony	Interest in controlled corporation	119,600,000	29.9%
Ravarock Financial Group Limited	Beneficial interest	119,600,000	29.9%

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

Save as disclosed herein, the Company has not been notified of any other person (other than a Director or a chief executive of the Company) who had an interest or a short position 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 as at 30 June 2022.

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 2022, 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 2022 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. Tam Yiu Shing, Billy, 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. Tam Yiu Shing, Billy, Mr. Mak Kwok Kei and Mr. Ho Kin Wai. Mr. Tam Yiu Shing, Billy 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
Tam Yiu Shing, Billy
*Executive Director and
Company Secretary*

Hong Kong, 11 August 2022

As at the date of this report, the Board comprises one executive Director, namely 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.