

LAPCO HOLDINGS LIMITED

立高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8472



THIRD QUARTERLY REPORT

2017

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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 presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the three months and nine months ended 30 September 2017, together with the comparative unaudited figures of the corresponding periods in 2016.

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

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	4	113,293	106,973	301,697	319,242
Cost of services		(104,506)	(96,341)	(275,877)	(286,318)
Gross profit		8,787	10,632	25,820	32,924
Other income		–	47	538	331
Other gains and losses, net		206	108	382	(18)
Administrative expenses		(7,048)	(5,018)	(17,811)	(14,187)
Listing expenses		(2,987)	(4,004)	(9,749)	(5,912)
Finance costs		(1,467)	(647)	(3,502)	(2,359)
(Loss)/profit before taxation	5	(2,509)	1,118	(4,322)	10,779
Income tax expense	6	(202)	(809)	(1,079)	(2,662)
(Loss)/profit and other comprehensive (expense) income attributable to the owners of the Company for the period		(2,711)	309	(5,401)	8,117
(Loss) earnings per share (HK cents)	8	(0.70)	0.10	(1.58)	2.75

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2017

	Attributable to owners of the Company				Total HK\$'000
	Issued share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (note 1)	Accumulated profits HK\$'000	
At 1 January 2017 (Audited)	8	-	10,192	24,863	35,063
Loss and total comprehensive expense for the period	-	-	-	(5,401)	(5,401)
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 30 September 2017 (Unaudited)	4,000	31,362	10,200	19,462	65,024
At 1 January 2016 (Audited)	10,200	-	-	16,074	26,274
Profit and total comprehensive income for the period	-	-	-	8,117	8,117
Effect of reorganisation	(10,192)	-	10,192	-	-
At 30 September 2016 (Unaudited)	8	-	10,192	24,191	34,391

Notes:

- (1) Other reserve represented the difference between the share capital of group entities and that of the Company issued pursuant to a group reorganisation as stated in note 2.
- (2) Pursuant to the written resolution passed by the shareholders on 24 June 2017, a sum of HK\$3,199,996.80 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 names appeared on register of members of the Company at the close of business on 24 June 2017.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2017

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 the GEM of the Stock Exchange on 18 July 2017 (the "**Listing Date**"). Lapco Service Limited ("**Lapco**") was wholly owned by Prime Rich (Asia) Limited ("**Prime Rich**") which held the shares on trust for the benefit of Mr. Lam Pak Ling ("**Mr. Lam**"), a founder of the Group's business (the "**Lam's Family Business**"), pursuant to a declaration of trust existed prior to the 1 January 2016. Shiny Hope Limited ("**Shiny Hope**") was wholly owned by Mr. Lam and Shiny Glory Services Limited ("**Shiny Glory**") was wholly owned by Ms. Wong Siu Fan, Beatrice ("**Ms. Wong**"), common law spouse of Mr. Lam. Prior to 1 January 2016, Mr. Lam and Ms. Wong (collectively referred to as the "**Controlling Shareholders**"), owned the Lam's Family Business through their interests held in the companies comprising the Group. The Controlling Shareholders exercise their control collectively over the companies now comprising the Group.

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, 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 Company.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2017

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 Rules Governing the Listing Securities on the GEM.

In the preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the companies comprising the Group underwent the reorganisation as described below.

- (1) On 8 January 2016, Champion Success Development Limited ("**Champion Success**") was incorporated in Hong Kong and 1 share was allotted and issued to the subscriber at a subscription price of HK\$1 per share. On 7 April 2016, Mr. Lam acquired one share from the subscriber at a consideration of HK\$1 and on the same day, one additional share was allotted and issued to each of Mr. Lam and Ms. Wong, respectively. Immediately thereafter, Champion Success was owned as to approximately 67% by Mr. Lam and as to approximately 33% by Ms. Wong.
- (2) On 1 April 2016, Sharp Idea Global Limited ("**Sharp Idea**") was incorporated in the British Virgin Islands (the "**BVI**") with an authorised share capital of United States Dollar ("**US\$**") 50,000 divided into 50,000 shares of par value of US\$1 each. On 8 April 2016, 1,000 shares with par value of US\$1 each were allotted and issued to Champion Success.
- (3) On 15 April 2016, Prime Rich, Ms. Wong and Mr. Lam transferred their entire shareholding interests in Lapco, Shiny Glory and Shiny Hope, respectively to Sharp Idea, for an aggregate cash consideration of HK\$3. Upon the completion of the transfer, Lapco, Shiny Glory and Shiny Hope became the wholly-owned subsidiaries of Sharp Idea.
- (4) On 15 April 2016, Champion Success transferred 200 shares in Sharp Idea, representing 20% of the issued share capital of Sharp Idea to Magic Pioneer Limited ("**Pre-IPO Investor**"), an independent third party and a limited company incorporated in the BVI, for the consideration of HK\$12,000,000. Immediately after this transfer, Sharp Idea was held as to 20% by Pre-IPO Investor and 80% by Champion Success. The Controlling Shareholders and the Pre-IPO Investor are collectively referred to as the "Ultimate Owners".
- (5) On 8 August 2016, a family trust (the "**Lam Family Trust**") was established by the Controlling Shareholders as settlors, with Max Super Holdings Limited acting as the trustee (the "**Trustee**"). The Lam Family Trust is a discretionary trust with the Controlling Shareholders as beneficiaries.
- (6) On 11 August 2016, Gold Cavaliers International Limited ("**Gold Cavaliers**") was incorporated in the BVI with an authorised share capital of US\$50,000 consisting of 50,000 ordinary shares with par value of US\$1 each. Upon its incorporation, 7,867 shares and 2,133 shares of US\$1 each were allotted and issued to Champion Success and the Pre-IPO Investor, respectively.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2017

- (7) On 11 August 2016, Profound Wellness Holdings Limited ("**Profound Wellness**") was incorporated in the BVI with an authorised share capital of US\$50,000 consisting of 50,000 ordinary shares with par value of US\$1 each. Upon its incorporation, 2 shares and 1 share of US\$1 each were allotted and issued to Mr. Lam and Ms. Wong, respectively.
- (8) On 12 August 2016, the Company was incorporated in the Cayman Islands with an authorised capital of HK\$100,000,000 divided into 10,000,000,000 shares of HK\$0.01 each. Upon its incorporation, 1 nil paid new share of HK\$0.01 was allotted and issued to the subscriber and was transferred to Gold Cavaliers at nominal value on the same day.
- (9) On 14 June 2017, 7,867 shares in Gold Cavaliers were transferred by way of gift to the Trustee of the Lam Family Trust from Champion Success.
- (10) On 14 June 2017, pursuant to the share swap agreement entered into amongst Champion Success, the Pre-IPO Investor and the Company, Champion Success and the Pre-IPO Investor transferred 800 and 200 shares in Sharp Idea respectively to the Company. In exchange, the Company credited as fully paid one nil paid share held by Gold Cavaliers and issued 299 and 20 fully paid shares to Gold Cavaliers and Profound Wellness, respectively at the direction of Champion Success and the Pre-IPO Investor. Upon completion of such share swap, Sharp Idea became a wholly-owned subsidiary of the Company.

Pursuant to steps 1 to 3 detailed above, Sharp Idea has become the intermediate holding company of Lapco, Shiny Glory and Shiny Hope and they are controlled by Controlling Shareholders before and after Reorganisation and the consolidated financial statements of Sharp Idea Group has been prepared under the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting Under Common Control Combination" issued by HKICPA.

Pursuant to steps 4 to 10 detailed above, the Company became the holding company of the companies now comprising the Group by interspersing the Company and other investment holding companies between Sharp Idea and the Ultimate Owners.

The consolidated statements of profit or loss and other comprehensive income and consolidated statements of changes in equity of the Group for the nine months ended 30 September 2017 and 2016 include the results and changes in equity of the companies now comprising the Group as if the current group structure had been in existence throughout the nine months ended 30 September 2017 and 2016.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2017

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

In the current period, the Group has applied, for the first time, new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are mandatorily effective for the Group’s financial year beginning on 1 January 2017. The adoption of these new and revised HKFRSs had no material effect on the results and financial position of the Group and/or disclosures set out in these condensed consolidated financial statements for the current and/or prior accounting periods.

The accounting policies and methods of computations followed in the preparation of the unaudited condensed consolidated financial statements are the same as those applied in the preparation of the Accountant’s Report for the year ended 31 December 2016 as disclosed in the Prospectus of the Company dated 30 June 2017.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective.

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments ¹
HKFRS 16	Leases ²
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) – Int 23	Uncertainty Over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 40	Transfers of Investment Properties ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle Except for Amendments to HKFRS 12 ¹

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the results and financial position of the Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2017

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

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 nine months ended 30 September 2017</i>					
Segment revenue	219,136	29,016	52,822	723	301,697
Segment results	15,979	2,978	6,853	10	25,820
Other income					538
Other gains and losses, net					382
Administrative expenses					(17,811)
Listing expenses					(9,749)
Finance costs					(3,502)
Loss before taxation					(4,322)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2017

	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 nine months ended</i>					
<i>30 September 2016</i>					
Segment revenue	275,650	24,468	18,742	382	319,242
Segment results	28,133	2,037	2,727	27	32,924
Other income					331
Other gains and losses, net					(18)
Administrative expenses					(14,187)
Listing expenses					(5,912)
Finance costs					(2,359)
Profit before taxation					10,779

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 (net), 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 nine months ended 30 September 2017

5. (LOSS)/PROFIT BEFORE TAXATION

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

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Auditor's remuneration	11	191	34	391
Directors' remuneration	729	646	2,065	1,660
Other staff costs				
– Salaries, bonuses and other benefits	81,893	78,749	219,743	243,358
– Retirement benefit scheme contributions	2,729	1,811	7,197	6,572
Total staff costs	85,371	80,706	229,005	251,590
Depreciation of plant and equipment	6,556	3,819	16,225	9,855
Lease payment under operating leases in respect of land and buildings entered into:				
– by the Group for minimum lease payments	274	210	863	748
– by a related party on behalf of the Group for minimum lease payments	–	240	–	640

6. INCOME TAX EXPENSE

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Hong Kong Profits Tax				
– Current tax	(101)	392	–	2,047
Deferred tax charge	303	417	1,079	615
	202	809	1,079	2,662

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2017

7. DIVIDEND

No dividends were paid, declared or proposed during the nine months ended 30 September 2017 and 2016. The Directors of the Company do not recommend payment of interim dividend for the nine months ended 30 September 2017 (for the nine months ended 30 September 2016: Nil).

8. (LOSS) EARNINGS PER SHARE

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

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
(Loss) earnings for the period attributable to owners of the Company for the purpose of (loss) earnings per share	(2,711)	309	(5,401)	8,117

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2017 '000	2016 '000	2017 '000	2016 '000
Number of shares				
Number of ordinary shares for the purpose of (loss) earnings per share	385,217	320,000	341,978	295,474

The number of ordinary shares for the purpose of calculating (loss) earnings per share has been determined on the assumption that the reorganisation and the capitalisation issue had been effective on 1 January 2016.

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

FINANCIAL REVIEW

The Group's revenue decreased by approximately 5.5% from approximately HK\$319.2 million for the nine months ended 30 September 2016 to approximately HK\$301.7 million for the nine months ended 30 September 2017, primarily attributable to certain cleaning services contracts expired and new street cleaning service contracts having not yet commenced. During the nine months ended 30 September 2017, the Group's gross profit decreased by approximately 21.6% from approximately HK\$32.9 million for the nine months ended 30 September 2016 to approximately HK\$25.8 million for the nine months ended 30 September 2017. The Group's cost of services comprise direct labour costs, vehicle expenses, consumables and direct overheads. The gross profit margins for the nine months ended 30 September 2016 and 2017 were approximately 10.3% and 8.6%, respectively. The reduction in the gross profit margin was mainly caused by the higher vehicle expenses. During the nine months ended 30 September 2017, vehicle expenses increased significantly by approximately HK\$12.5 million as compared to the corresponding period in 2016 which was mainly attributable to the increase in number of vehicles for operation.

Other income increased to approximately HK\$538,000 for the nine months ended 30 September 2017 from approximately HK\$331,000 for the corresponding period in 2016, primarily attributable to the vehicle rental income of approximately HK\$182,000.

The Group recorded other net gains of approximately HK\$382,000 for the nine months ended 30 September 2017 as compared to other net losses of approximately HK\$18,000 for the corresponding period in 2016 mainly due to a gain on disposal of plant and equipment of approximately HK\$218,000 for the nine months ended 30 September 2017.

Administrative expenses increased to approximately HK\$17.8 million for the nine months ended 30 September 2017 from approximately HK\$14.2 million for the nine months ended 30 September 2016, mainly due to i) the increase in salaries and welfares of approximately HK\$4.4 million due to additional headcounts, ii) the increase in legal and professional fee of approximately HK\$1.1 million due to the increase of post-listing legal expenses, offset by the decrease in rent of approximately HK\$547,000 and office expense of approximately HK\$772,000.

The Group's finance costs increased by approximately 48.5% from approximately HK\$2.4 million for the nine months ended 30 September 2016 to approximately HK\$3.5 million for the nine months ended 30 September 2017, primarily attributable to the increase of interest expenses on obligations under finance leases for vehicles purchased during the nine months ended 30 September 2017.

The Group recorded non-recurring listing expenses of approximately HK\$9.7 million for the nine months ended 30 September 2017, as compared to approximately HK\$5.9 million for the nine months ended 30 September 2016. As a result of the foregoing, the Group recorded a net loss for the nine months ended 30 September 2017 of approximately HK\$5.4 million, as compared to a net profit of approximately HK\$8.1 million for the corresponding period in 2016. Excluding the non-recurring listing expenses, the net profits for the respective periods are approximately HK\$4.3 million and HK\$14.0 million.

BUSINESS REVIEW AND OUTLOOK

The Group is an established and one-stop environmental hygiene service provider based in Hong Kong, providing four major types of environmental hygiene services, including (a) cleaning services; (b) pest management services; (c) waste management and recycling services; and (d) landscaping services.

The Group provides its environmental hygiene services to a wide range of venues and to major customers including various departments of the HK Government, property management companies and other corporations in the private sector during the period under review.

History of the Group dates back to 1990, when one of our operating subsidiaries, Shiny Glory, was incorporated. Commenced a business operations as a waste management service provider, the Group has expanded the business operations to provide cleaning services, pest management and landscaping services since 1997, 2000, and March 2016 respectively. With over 26 years of experience in the environmental hygiene service industry, Directors of the Group believe that the Group has established a market reputation in offering high quality environmental hygiene services and is well-positioned to capture the growing demand for environmental hygiene services.

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

Looking forward, the Group will continue to implement the business strategies as set out in the Company's prospectus dated 30 June 2017 (the "**Prospectus**") in support of the Group's business objectives of maintaining its growth in the cleaning services industry and enhancing its overall competitiveness and market share.

MANAGEMENT DISCUSSION AND ANALYSIS

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 and the chief executive officer 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 2017.

Interest of the Compliance Adviser

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

Competing Business

For the nine months ended 30 September 2017, 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 compete, 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

The shares of the Company were listed on GEM of the Stock Exchange on 18 July 2017. During the period between 18 July 2017 and 30 September 2017, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s shares.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 September 2017, 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 1</i>)	300,000,000	75%
Mr. Choi Chung Yin	Interest in a controlled corporation (<i>Note 2</i>)	300,000,000	75%

Note 1: All the 300,000,000 Shares are beneficially owned by Gold Cavaliers. Gold Cavaliers is held as to approximately 78.67% (7,867 shares) by Max Super Holdings Limited (“**Max Super**”) acting as the trustee of the Lam Family Trust. The Lam Family Trust was established by Mr. Lam and Ms. Wong as the settlors on 8 August 2016 as a discretionary trust for the benefit of themselves. Mr. Lam is one of the Controlling Shareholders, an executive Director and chief executive officer of the Company. By virtue of the SFO, Mr. Lam is thus deemed to be interested in the shares in which Gold Cavaliers is interested.

Note 2: Mr. Choi Chung Yin, our non-executive Director, is interested in 100% of Croydon Capital Advisors Limited (“Croydon”). Croydon is interested in 33% of the issued share capital in Magic Pioneer Limited (“**Magic Pioneer**”). Magic Pioneer is interested in 21.33% of the issued share capital in Gold Cavaliers which beneficially holds 300,000,000 shares in our Company representing 75% of the shareholding of our Company.

DISCLOSURE OF INTERESTS

Interests in associated corporation of the Company

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

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

Save as disclosed above, as at 30 September 2017, 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 September 2017, the following persons had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

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

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

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES (CONTINUED)

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

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

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

OTHERS

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 usual 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 nine months ended 30 September 2017, the audit committee had held meeting and had reviewed the third quarter report and unaudited consolidated financial statements for the nine months ended 30 September 2017 prior to recommending such report and unaudited condensed consolidated financial statements to the Board for approval.

OTHERS

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

By order of the Board
Lapco Holdings Limited
Lam Pak Ling
*Chairman, chief executive officer
and executive Director*

Hong Kong, 10 November 2017

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

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

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