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Lapco Holdings Limited

立高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8472)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

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

For the year ended 31 December 2019

	<i>Notes</i>	Year ended 31 December	
		2019	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	579,864	529,838
Cost of services		(556,703)	(504,604)
Gross profit		23,161	25,234
Other income	4	847	1,132
Other gains and losses	4	882	(197)
Administrative expenses		(32,479)	(32,188)
Other expenses		(1,896)	–
Finance costs	5	(7,034)	(6,865)
Loss before taxation	6	(16,519)	(12,884)
Income tax credit	7	404	1,197
Loss and total comprehensive expense for the year attributable to owners of the Company		(16,115)	(11,687)
Loss per share			
– Basic (<i>HK cents</i>)	9	(4.03)	(2.92)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

		As at 31 December	
		2019	2018
	Notes	HK\$'000	HK\$'000
Non-current assets			
Plant and equipment		8,457	83,966
Right-of-use assets		62,551	–
Deposits and prepayments		5,909	5,602
Deposits for acquisition of plant and equipment		952	233
		<u>77,869</u>	<u>89,801</u>
Current assets			
Trade receivables	10	138,331	129,778
Other receivables, deposits and prepayments		17,603	25,694
Tax recoverable		–	1,651
Pledged bank balances		21,790	21,790
Bank balances and cash		21,032	11,458
		<u>198,756</u>	<u>190,371</u>
Current liabilities			
Trade payables	11	9,622	7,242
Other payables and accrued charges		44,037	38,694
Provisions		3,367	5,078
Bank and other borrowings		112,499	110,220
Lease liabilities		25,370	–
Obligations under finance leases		–	22,510
Tax payable		723	–
		<u>195,618</u>	<u>183,744</u>
Net current assets		<u>3,138</u>	<u>6,627</u>
Total assets less current liabilities		<u>81,007</u>	<u>96,428</u>
Non-current liabilities			
Provisions		8,100	1,020
Deferred tax liabilities		154	933
Lease liabilities		30,814	–
Obligations under finance leases		–	43,976
Other borrowings		6,704	–
		<u>45,772</u>	<u>45,929</u>
Net assets		<u>35,235</u>	<u>50,499</u>
Capital and reserves			
Issued share capital	12	4,000	4,000
Reserves		31,235	46,499
Equity attributable to owners of the Company		<u>35,235</u>	<u>50,499</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	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 2018	4,000	31,362	10,200	16,624	62,186
Loss and total comprehensive expense for the year	—	—	—	(11,687)	(11,687)
At 31 December 2018	4,000	31,362	10,200	4,937	50,499
Loss and total comprehensive expense for the year	—	—	—	(16,115)	(16,115)
Fair value adjustment on initial recognition of shareholder loans	—	—	851	—	851
At 31 December 2019	4,000	31,362	11,051	(11,178)	35,235

Note: As at 1 January 2018 and 31 December 2018, 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. During the year ended 31 December 2019, the amount of HK\$851,000 represents the fair value adjustment on the non-current shareholder loans using the effective interest rate of 7.5% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

The Company is an investment holding company and its principal subsidiaries are engaged in provision of environmental hygiene services, including (a) cleaning services; (b) pest management services; (c) waste management and recycling services; and (d) landscaping services.

The functional currency of the Company is Hong Kong dollar (“**HK\$**”), which is the same as the presentation currency of the consolidated financial statements.

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
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 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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

⁴ Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

3. REVENUE AND SEGMENT INFORMATION

Revenue

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<i>Types of services</i>		
Cleaning services	426,650	360,767
Pest management services	64,416	79,923
Waste management and recycling services	88,225	88,543
Landscaping services	573	605
	<u>579,864</u>	<u>529,838</u>
<i>Types of customers</i>		
Government	544,765	507,476
Non-government	35,099	22,362
	<u>579,864</u>	<u>529,838</u>
<i>Timing of revenue recognition</i>		
Over time	<u>579,864</u>	<u>529,838</u>

Segment information

Information reported to Mr. Lam, being the chairman of the Company and the chief operating decision maker (the “CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. The Group’s operating and reportable segments are therefore as follows:

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

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

	Cleaning services <i>HK\$’000</i>	Pest management services <i>HK\$’000</i>	Waste management and recycling services <i>HK\$’000</i>	Landscaping services <i>HK\$’000</i>	Total <i>HK\$’000</i>
For the year ended 31 December 2019					
Segment revenue – external customers	<u>426,650</u>	<u>64,416</u>	<u>88,225</u>	<u>573</u>	<u>579,864</u>
Segment results	<u>17,821</u>	<u>3,255</u>	<u>2,072</u>	<u>13</u>	<u>23,161</u>
Other income					847
Other gains and losses					882
Administrative expenses					(32,479)
Other expenses					(1,896)
Finance costs					<u>(7,034)</u>
Loss before taxation					<u>(16,519)</u>
For the year ended 31 December 2018					
Segment revenue – external customers	<u>360,767</u>	<u>79,923</u>	<u>88,543</u>	<u>605</u>	<u>529,838</u>
Segment results	<u>16,304</u>	<u>5,369</u>	<u>3,547</u>	<u>14</u>	<u>25,234</u>
Other income					1,132
Other gains and losses					(197)
Administrative expenses					(32,188)
Finance costs					<u>(6,865)</u>
Loss before taxation					<u>(12,884)</u>

There was no inter-segment revenue for both years.

The accounting policies of the operating and reportable segments are the same as the Group’s accounting policies. Segment results represents the results from each segment without allocation of other income, other gains and losses, administrative expenses, other expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

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

	Cleaning services <i>HK\$'000</i>	Pest management services <i>HK\$'000</i>	Waste management and recycling services <i>HK\$'000</i>	Landscaping services <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2019					
Segment assets	144,644	15,767	47,807	140	208,358
Certain plant and equipment					394
Certain right-of-use assets					1,539
Certain other receivables, deposits and prepayments					23,512
Pledged bank balances					21,790
Bank balances and cash					21,032
Total assets					<u>276,625</u>
Segment liabilities	43,869	6,623	9,071	59	59,622
Certain other payables and accrued charges					3,608
Certain provisions					1,896
Bank and other borrowings					119,203
Lease liabilities					56,184
Tax payable					723
Deferred tax liabilities					154
Total liabilities					<u>241,390</u>
As at 31 December 2018					
Segment assets	135,288	21,118	56,885	47	213,338
Certain plant and equipment					406
Certain other receivables, deposits and prepayments					31,529
Tax recoverable					1,651
Pledged bank balances					21,790
Bank balances and cash					11,458
Total assets					<u>280,172</u>
Segment liabilities	31,681	7,776	7,019	53	46,529
Certain other payables and accrued charges					5,505
Bank borrowings					110,220
Obligations under finance leases					66,486
Deferred tax liabilities					933
Total liabilities					<u>229,673</u>

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, tax recoverable, pledged bank balances and bank balances and cash.
- all liabilities are allocated to operating and reportable segments other than certain other payables and accrued charges, certain provisions, tax payable, bank and other borrowings, lease liabilities, obligations under finance leases and deferred tax liabilities.

4. OTHER INCOME/OTHER GAINS AND LOSSES

Other income

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
Bank interest income	209	173
Interest income from payment for life insurance policies	569	758
Sundry income	69	201
	<u>847</u>	<u>1,132</u>

Other gains and losses

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
Gain on disposal/written off of plant and equipment, net	786	1,999
Net foreign exchange gains	27	99
Loss on life insurance policies	–	(2,295)
Others	69	–
	<u>882</u>	<u>(197)</u>

5. FINANCE COSTS

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
Interests on:		
Bank and other borrowings	4,718	4,159
Lease liabilities	2,261	–
Obligations under finance leases	–	2,706
Imputed interest expense on shareholder loans	55	–
	<u>7,034</u>	<u>6,865</u>

6. LOSS BEFORE TAXATION

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
Loss before taxation has been arrived at after charging:		
Auditor's remuneration	1,200	1,200
Depreciation of plant and equipment	4,679	30,118
Depreciation of right-of-use assets	24,031	–
Provision on litigation claims (included in other expense)	1,896	–
Directors' remuneration	5,089	4,032
Other staff costs		
Salaries, bonuses and other benefits	444,727	402,729
Retirement benefits scheme contributions	11,705	11,855
Total staff costs	461,521	418,616

7. INCOME TAX CREDIT

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
Hong Kong Profits Tax:		
– Current tax	(234)	(805)
– Underprovision in previous years	(141)	(25)
Deferred tax credit	779	2,027
	404	1,197

8. DIVIDEND

No dividends were paid, declared and proposed by the Company during the year ended 31 December 2019 (2018: nil).

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

9. LOSS PER SHARE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	<u>(16,115)</u>	<u>(11,687)</u>
	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>400,000,000</u>	<u>400,000,000</u>

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

10. TRADE RECEIVABLES

As at 1 January 2018, trade receivables from contracts with customers amounted to HK\$119,889,000.

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

	As at 31 December	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Government customers	129,150	124,652
Non-government customers	<u>9,181</u>	<u>5,126</u>
	<u>138,331</u>	<u>129,778</u>

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

	As at 31 December	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0–30 days	56,163	44,615
31–60 days	54,689	43,208
61–90 days	22,136	28,441
91–180 days	4,553	13,364
Over 180 days	<u>790</u>	<u>150</u>
	<u>138,331</u>	<u>129,778</u>

11. TRADE PAYABLES

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

	As at 31 December	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0–30 days	5,029	2,179
31–60 days	2,368	1,045
61–90 days	600	1,219
Over 90 days	1,625	2,799
	<u>9,622</u>	<u>7,242</u>

12. ISSUED SHARE CAPITAL

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

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2018, 31 December 2018 and 2019	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 January 2018, 31 December 2018 and 2019	<u>400,000,000</u>	<u>4,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

We are an established and one-stop environmental service provider based in Hong Kong. Our environmental hygiene services cover four types, namely (a) cleaning services; (b) pest management services; (c) waste management and recycling services; and (d) landscaping services. We provide our environmental hygiene services to a wide range of venues including streets, cultural, leisure and recreational premises, residential premises, commercial buildings, markets, restaurants and academic institutions etc. Our major customers during the year ended 31 December 2019 include various departments of the HK 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 rising operating costs, especially soaring insurance expenses, labour costs, vehicle expenses, legal and professional expenses and financing costs, continued to have an adverse impact on our gross profit, net profit and profit margin. During the Reporting Period, although the newly launched large-scale contracts for public and private environmental hygiene services drove the growth in revenue, the Group recorded a loss due to the increase in operating costs.

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

During the Reporting Period, we provided tenders and quotations for our street cleaning solutions. As at the date of this announcement, we had submitted eight subsisting tenders for our street cleaning solutions. We are optimistic about the prospects of the environmental cleaning service industry, and thereby have been investing heavily on purchase of additional motor vehicles, cleaning machinery and equipment so as to expand our business and enhance our ability to undertake more projects.

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

Undoubtedly, we intend to secure more tender contracts with both government departments of Hong Kong and private sectors that have not previously engaged our 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.

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, it is believed that the global economy will be hit by the outbreak of novel coronavirus infections tremendously. However, the awareness of environmental protection and the importance of public health will only increase amid the global epidemic outbreak, which will be conducive to the prospect of related industries.

In addition to our focus on the environmental hygiene business, we are open to the investment in other projects with an expectation to inject fresh impetus to the Group and bring long-term benefits to our shareholders. On 28 January 2019, the Company entered into a memorandum of understanding with Noble Sovereignty Capital Group Limited in relation to the proposed formation of a joint venture company, details of which are set out in the announcement on the same day. The parties have not entered into a legally binding agreement subsequently and the MOU shall be deemed to be lapsed and terminated.

Financial Results

Revenue of the Group increased by approximately 9.5% from approximately HK\$529.8 million for the year ended 31 December 2018 to approximately HK\$579.9 million for the Reporting Period. The Group, however, recorded an increase in the cost of services by approximately 10.3% to approximately HK\$556.7 million (2018: approximately HK\$504.6 million) and a decrease of approximately 7.9% in gross profit to approximately HK\$23.2 million (2018: approximately HK\$25.2 million). Gross profit margin also decreased by approximately 0.8% to 4.0% (2018: 4.8%). Such decrease was mainly attributable to the significant revenue contribution contracts which have lower gross profit margins as compared to other contracts. Coupled with the increase in administrative expenses and finance costs, the Company recorded a loss attributable to equity shareholders of the Company (the “**Shareholders**”) for the year ended 31 December 2019 which amounted to approximately HK\$16.1 million (2018: approximately HK\$11.7 million).

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

HUMAN RESOURCES

As at 31 December 2019, the Group employed 3,564 employees, including both full time and part time (31 December 2018: 3,567). Remuneration packages are generally structured by reference to market terms, individual qualifications and experience.

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

FINANCIAL REVIEW

Revenue

The Group's revenue for the years ended 31 December 2019 and 2018 were approximately HK\$579.9 million and HK\$529.8 million, respectively, representing an increase of approximately 9.5%. The increase was mainly driven by the new contracts commenced during the Reporting Period in our service segment of cleaning services.

The following table sets forth our revenue by business segments during the years ended 31 December 2019 and 2018:

	For the year ended 31 December			
	2019		2018	
	HK\$'000	%	HK\$'000	%
Cleaning services	426,650	73.6	360,767	68.1
Pest management services	64,416	11.1	79,923	15.1
Waste management and recycling services	88,225	15.2	88,543	16.7
Landscaping services	573	0.1	605	0.1
Total	<u>579,864</u>	<u>100.0</u>	<u>529,838</u>	<u>100.0</u>

The revenue from cleaning services increased by approximately 18.3% for the year ended 31 December 2019 as comparing with that of the previous year as certain cleaning services contracts were awarded during the year. The revenue from pest management services decreased significantly by approximately 19.4% for the year ended 31 December 2019 as compared to the previous year as certain pest management services contracts expired during the year. The revenue from waste management and recycling services decreased by approximately 0.4% for the year ended 31 December 2019 as compared to the previous year.

More details of the Group's performance for the Reporting Period by business segments is set out in note 3 to the consolidated financial statements.

Cost of Services

For the years ended 31 December 2019 and 2018, the cost of services of the Group amounted to approximately HK\$556.7 million and HK\$504.6 million respectively, representing approximately 96.0% and 95.2% of the Group's revenue for the corresponding years. Our cost of services mainly consists of direct labour costs, vehicle expenses, consumables, and direct overheads. The cost of services increased was mainly caused by the higher direct labour costs and higher insurance expenses. The direct labour cost for the year ended 31 December 2019 increased by approximately 10.3% as compared to the same period of 2018 due to inflation of wages. During the year ended 31 December 2019, insurance expenses increased significantly by approximately HK\$8.2 million as compared to the corresponding period in 2018.

Gross Profit

The Group's gross profit for the year ended 31 December 2019 was approximately HK\$23.2 million, representing a decrease of approximately 7.9% from approximately HK\$25.2 million for the year ended 31 December 2018. The decrease was mainly due to the increase in cost of services of the Group.

Gross Profit Margin

The gross profit margins of the Group for the years ended 31 December 2019 and 2018 were approximately 4.0% and 4.8% respectively. As mentioned above, the decrease in gross profit margin was mainly attributable to several contracts with lower gross profit margin in the Reporting Period.

Administrative Expenses

The administrative expenses incurred by the Group for the years ended 31 December 2019 and 2018 were approximately HK\$32.5 million and HK\$32.2 million respectively, representing an increase of approximately 0.9%, and approximately 5.6% and 6.1% of the respective year's total revenue. The increase was mainly due to the increase in salaries and welfares of approximately HK\$1.8 million resulting from the inflation of wages. The Group continues to implement its budgeted cost control measures for administrative expenses.

Finance Costs

The finance costs of the Group amounted to approximately HK\$7.0 million and HK\$6.9 million for the years ended 31 December 2019 and 2018 respectively, representing approximately 1.2% and approximately 1.3% of the Group's revenue in the respective years.

Loss Attributable to Owners of The Company

As a result of the foregoing, the loss attributable to the Shareholders for the year ended 31 December 2019 amounted to approximately HK\$16.1 million as compared to the loss attributable to the Shareholders of approximately HK\$11.7 million for the year ended 31 December 2018.

FOREIGN CURRENCY EXPOSURE

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2019, total bank and other borrowings of the Group amounted to approximately HK\$119.2 million (2018: approximately HK\$110.2 million) which represented the secured and guaranteed bank overdrafts, secured revolving loans, secured and guaranteed bank borrowing, including term loans, revolving loans and loans from factoring of trade receivables with full resource, unsecured and unguaranteed other borrowings and unsecured and unguaranteed shareholder loans. As at 31 December 2019, the cash and cash equivalents and pledged bank balances of the Group amounted to approximately HK\$42.8 million (2018: approximately HK\$33.2 million). As at 31 December 2019, debt to equity ratio of the Group was approximately 376.2% (2018: approximately 284.1%). Debt to equity ratio is calculated by dividing the net debt, which is defined to include bank and other borrowings, lease liabilities and obligations under finance leases net of pledged bank balances and bank balances and cash, by total equity at the end of the respective years. Current ratio as at 31 December 2019 was approximately 1.0 time (2018: approximately 1.0 time).

The Group maintained sufficient working capital as at 31 December 2019 with bank balances and cash of approximately HK\$21.0 million (2018: approximately HK\$11.5 million). The Board of Directors will continue to follow a prudent treasury policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business.

As at 31 December 2019, the Group's net current assets amounted to approximately HK\$3.1 million (2018: approximately HK\$6.6 million). The Group's operations are financed principally by operating cashflow generated from its business operation, available cash and bank balances, bank borrowings and obligations under finance lease.

CONTINGENT LIABILITIES

As at 31 December 2019, performance guarantee of approximately HK\$111,759,000 (2018: HK\$72,802,000) was given by banks respectively in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to its customers to whom performance guarantee have been given, such customers may demand the banks to pay the sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance guarantee will be released upon completion of the service contracts.

USE OF PROCEEDS

The net proceeds from the issue of new shares of the Company through the Public Offer of an aggregate of 10,000,000 Public Offer Shares and the placing of 90,000,000 ordinary shares of HK\$0.01 each in the share capital of the Company at the price of HK\$0.50 per share, after deducting the underwriting commission and listing expenses borne by our Group and excluding the net proceeds of the Sale Shares, were approximately HK\$18.7 million (“**Actual Proceeds**”), as compared to the estimated net proceeds of approximately HK\$20.8 million as disclosed in the prospectus dated 30 June 2017 of the Company (the “**Prospectus**”), there were shortage of approximately HK\$2.1 million mainly due to the additional listing expenses at final payment. Accordingly, the Group has adjusted the use of proceeds on a pro-rata basis. The utilization of net proceeds as at 31 December 2019 is set out below:

Summary of use of proceeds

	Total planned amount to be used	Planned use of proceed up to 31 December 2019	Actual amount utilized up to 31 December 2019	Unutilized balance as at 31 December 2019
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
Use of net proceeds				
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	2.7	0.1	2.6
Repay a bank loan	2.9	2.9	2.9	–
General working capital	1.8	1.8	1.8	–
	<hr/>	<hr/>	<hr/>	<hr/>
Total	18.7	18.7	16.1	2.6

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.

CHARGES ON THE GROUP’S ASSETS

As at 31 December 2019, the amount of lease liabilities within one year was approximately HK\$25.4 million, and after one year but within five years was approximately HK\$30.8 million.

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

As at 31 December 2019, we had approximately HK\$99.6 million (31 December 2018: HK\$106.9 million) of secured bank borrowings (excluding secured bank overdrafts). Such loans were primarily used in financing the working capital requirement of our operations.

The amount of term loans was Nil as at 31 December 2019 (31 December 2018: HK\$10.5 million).

In addition, we have (i) pledged bank balances of approximately HK\$21.8 million as at 31 December 2019 (31 December 2018: HK\$21.8 million), (ii) pledged the Group's trade receivables of approximately HK\$138.3 million as at 31 December 2019 (31 December 2018: HK\$115.2 million) and (iii) pledged the Group's motor vehicles of approximately HK\$61.3 million (31 December 2018: HK\$ 73.6 million).

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

ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT HELD

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

CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 December 2019, the Company has complied with all the applicable code provisions of the Code, except for the deviation from code provision A.2.1 as described below.

Mr. Lam is the chairman of the Board and the chief executive officer of the Company and has been managing the Group's business and supervising the overall operations and management of the Group since 1990. The Directors consider that vesting the roles of the chairman of our Board and the chief executive officer of the Company in Mr. Lam is beneficial to the management and business development of the Group and will provide a strong and consistent leadership to the Group. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole. The Directors will review the corporate governance policies and compliance with the Code each financial period and comply with the "comply or explain" principle in the corporate governance report which will be included in the annual report for the year ended 31 December 2019.

APPOINTMENT, RE-ELECTION AND RETIREMENT OF THE DIRECTORS

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

Pursuant to article 84 of the Articles, Mr. Lam Pak Ling, Mr. Cai Weiming, Mr. Wong Tsz Chun, Jacky and Mr. Mak Kwok Kei will retire from office as Directors at the forthcoming AGM, and being eligible, will offer themselves for re-election.

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

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

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules, as the code of conduct for securities transactions by the Directors in respect of the shares of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by directors during the year ended 31 December 2019.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

PERMITTED INDEMNITY PROVISION AND INSURANCE

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2019, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

Interests in the Company

Name of Director	Capacity/nature of interest	Number of ordinary shares	Approximate shareholding
Mr. Lam	Beneficiary of a discretionary trust (<i>Note</i>)	236,010,000	59%

Note: All the 236,010,000 Shares are beneficially owned by Gold Cavaliers International Limited (“**Gold Cavaliers**”). As at 31 December 2019, Gold Cavaliers was wholly owned by Max Super Holdings Limited (“**Max Super**”) acting as the trustee of the Lam Family Trust. The Lam Family Trust was established by Mr. Lam and Ms. Wong Siu Fan, Beatrice (“**Ms. Wong**”) as the settlors on 8 August 2016 as a discretionary trust for the benefit of themselves. Mr. Lam is one of the Controlling Shareholders, an executive Director and chief executive officer of the Company. By virtue of the SFO, Mr. Lam is thus deemed to be interested in the shares in which Gold Cavaliers is interested.

Interests in associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/nature of interest	Number of ordinary shares	Approximate shareholding
Mr. Lam	Gold Cavaliers	Beneficiary of a discretionary trust	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 31 December 2019, 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.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

ANNUAL GENERAL MEETING (“AGM”)

The forthcoming AGM will be held on Wednesday, 6 May 2020. A notice convening the AGM will be published in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 21 April 2020 to Friday, 24 April 2020, both days inclusive, during which period no transfer of Shares will be registered. For determining the entitlement of members of the Company to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 16 April 2020.

AUDIT COMMITTEE

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

During the year ended 31 December 2019 and to the date of this announcement, the Audit Committee had reviewed the final results of the Group for the year ended 31 December 2018, the first quarterly results (and related quarterly report) of the Group for the three months ended 31 March 2019, the interim results (and interim report) of the Group for the six months ended 30 June 2019 and the third quarterly results (and related quarterly report) of the Group for the nine months ended 30 September 2019. The Group's final results for the year ended 31 December 2019 had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee is of the view that the annual results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 25 March 2020

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

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

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and on the Company’s website at www.lapco.com.hk.

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