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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 2020

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 2020

	<i>Notes</i>	Year ended 31 December	
		2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	665,765	579,864
Cost of services		(624,450)	(556,703)
Gross profit		41,315	23,161
Other income	4	16,148	847
Other gains	4	854	882
Administrative expenses		(31,129)	(32,479)
Other expenses		(1,700)	(1,896)
Finance costs	5	(6,277)	(7,034)
Profit (loss) before taxation	6	19,211	(16,519)
Income tax (expense) credit	7	(824)	404
Profit (loss) and total comprehensive income (expense) for the year attributable to owners of the Company		18,387	(16,115)
Earnings (loss) per share – Basic (HK cents)	9	4.60	(4.03)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

		As at 31 December	
		2020	2019
	Notes	HK\$'000	HK\$'000
Non-current assets			
Plant and equipment		8,562	8,457
Right-of-use assets		38,733	62,551
Deposits and prepayments		6,289	5,909
Deposits for acquisition of plant and equipment		700	952
		<u>54,284</u>	<u>77,869</u>
Current assets			
Trade receivables	10	105,626	138,331
Other receivables, deposits and prepayments		14,811	17,603
Tax recoverable		627	–
Pledged bank balances		43,490	21,790
Bank balances and cash		35,583	21,032
		<u>200,137</u>	<u>198,756</u>
Current liabilities			
Trade payables	11	4,926	9,622
Other payables and accrued charges		47,685	44,037
Provisions		30,340	3,367
Bank and other borrowings		81,666	112,499
Lease liabilities		22,774	25,370
Tax payable		587	723
		<u>187,978</u>	<u>195,618</u>
Net current assets		<u>12,159</u>	<u>3,138</u>
Total assets less current liabilities		<u>66,443</u>	<u>81,007</u>
Non-current liabilities			
Provisions		3,976	8,100
Deferred tax liabilities		88	154
Lease liabilities		8,757	30,814
Other borrowings		–	6,704
		<u>12,821</u>	<u>45,772</u>
Net assets		<u>53,622</u>	<u>35,235</u>
Capital and reserves			
Issued share capital	12	4,000	4,000
Reserves		49,622	31,235
Equity attributable to owners of the Company		<u>53,622</u>	<u>35,235</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Issued share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(note)</i>	Accumulated profits (losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2019	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
Profit and total comprehensive income for the year	-	-	-	18,387	18,387
At 31 December 2020	4,000	31,362	11,051	7,209	53,622

Note: As at 1 January 2019, 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. During the year ended 31 December 2020, no fair value adjustment is made in the current shareholder loans as there are no maturity date on the balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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**”)), which is wholly owned by Max Super Holdings Limited acting as the trustee of the Lam Family Trust. Its ultimate controlling parties are Mr. Lam Pak Ling (“**Mr. Lam**”), an executive director of the Company and Ms. Wong Siu Fan, Beatrice (“**Ms. Wong**”), 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Company and its subsidiaries (collectively referred to as the “**Group**”) has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

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

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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 and the related Amendments ¹
Amendment to HKFRS 16	COVID-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

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

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

⁵ Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2 relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16; and
- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31 December 2020, the Group has several Hong Kong Interbank Offered Rate (“HIBOR”) bank borrowings which may be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

3. REVENUE AND SEGMENT INFORMATION

Revenue

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

(i) *Disaggregation of revenue from contracts with customers*

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<i>Types of services</i>		
Cleaning services	533,448	426,650
Pest management services	43,848	64,416
Waste management and recycling services	88,060	88,225
Landscaping services	409	573
	<u>665,765</u>	<u>579,864</u>
<i>Types of customers</i>		
Government	622,014	544,765
Non-government	43,751	35,099
	<u>665,765</u>	<u>579,864</u>
<i>Timing of revenue recognition</i>		
Over time	<u>665,765</u>	<u>579,864</u>

(ii) *Performance obligations for contracts with customers*

The performance obligation is the promise to provide cleaning services, pest management services, waste management and recycling services and landscaping services over the contract period. These services considered to be distinct as they are both regularly supplied by the Group to other customers on a stand-alone basis and are available for customers from other providers in the market. Under the terms of these contracts, performance obligation satisfied over time as the customers of the Group simultaneously receive and consume the benefits provided by the Group's performance as the Group performs (i.e. cleaning services, pest management services, waste management and recycling services and landscaping services rendered by the Group under contracts with the customers with fixed consideration) and thus these income are recognised over time.

(iii) *Transaction price allocated to the remaining performance obligation for contracts with customers*

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 and the expected timing of recognising revenue 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>
Within one year	436,987	38,226	82,329	101
More than one year but not more than two years	83,019	34,598	33,578	–
More than two years	52,639	15,936	2,448	–
	<u>572,645</u>	<u>88,760</u>	<u>118,355</u>	<u>101</u>

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and the expected timing of recognising revenue 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>
Within one year	490,361	32,410	88,472	608
More than one year but not more than two years	352,822	27,062	71,209	101
More than two years	10,818	24,806	17,412	–
	<u>854,001</u>	<u>84,278</u>	<u>177,093</u>	<u>709</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 2020					
Segment revenue – external customers	<u>533,448</u>	<u>43,848</u>	<u>88,060</u>	<u>409</u>	<u>665,765</u>
Segment results	<u>35,749</u>	<u>3,658</u>	<u>1,898</u>	<u>10</u>	<u>41,315</u>
Other income					16,148
Other gains					854
Administrative expenses					(31,129)
Other expenses					(1,700)
Finance costs					<u>(6,277)</u>
Profit before taxation					<u>19,211</u>
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					882
Administrative expenses					(32,479)
Other expenses					(1,896)
Finance costs					<u>(7,034)</u>
Loss before taxation					<u>(16,519)</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, 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 HK\$'000	Pest management services HK\$'000	Waste management and recycling services HK\$'000	Landscaping services HK\$'000	Total HK\$'000
As at 31 December 2020					
Segment assets	108,365	9,781	32,458	87	150,691
Certain plant and equipment					256
Certain right-of-use assets					2,674
Certain other receivables, deposits and prepayments					21,100
Tax recoverable					627
Pledged bank balances					43,490
Bank balances and cash					35,583
Total assets					<u>254,421</u>
Segment liabilities	64,013	5,262	10,567	49	79,891
Certain other payables and accrued charges					4,740
Certain provisions					2,296
Bank and other borrowings					81,666
Lease liabilities					31,531
Tax payable					587
Deferred tax liabilities					88
Total liabilities					<u>200,799</u>
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	43,868	6,623	9,071	59	59,621
Certain other payables and accrued charges					3,609
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>

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, bank and other borrowings, lease liabilities, tax payable and deferred tax liabilities.

Other segment information

	Cleaning services HK\$'000	Pest management services HK\$'000	Waste management and recycling services HK\$'000	Landscaping services HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Total HK\$'000
For the year ended 31 December 2020							
Deposits paid for acquisition of plant and equipment	700	-	-	-	700	-	700
Additions to plant and equipment	4,917	-	-	-	4,917	-	4,917
Additions to right-of-use assets	863	-	-	-	863	-	863
Depreciation of plant and equipment	3,031	1,267	1,564	-	5,862	138	6,000
Depreciation of right-of-use assets	8,393	12,000	1,651	-	22,044	1,301	23,345
Gain on disposal of plant and equipment, net	753	98	-	-	851	-	851
For the year ended 31 December 2019							
Deposits paid for acquisition of plant and equipment	952	-	-	-	952	-	952
Additions to plant and equipment	2,064	-	-	-	2,064	136	2,200
Additions to right-of-use assets	12,260	-	-	-	12,260	-	12,260
Depreciation of plant and equipment	2,185	1,756	590	-	4,531	148	4,679
Depreciation of right-of-use assets	7,835	13,028	1,847	-	22,710	1,321	24,031
Gain on disposal of plant and equipment, net	526	260	-	-	786	-	786

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of services provided and the Group's plant and equipment amounting to HK\$8,562,000 (2019: HK\$8,457,000), right-of-use assets amounting to HK\$38,733,000 (2019: HK\$62,551,000) and other non-current assets amounting to HK\$6,989,000 (2019:HK\$6,861,000) as at 31 December 2020 are all located in Hong Kong by physical location of assets.

Information about major customer

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

	Year ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Customer A ¹	586,825	488,823

¹ Revenue from cleaning services, waste management and recycling services and pest management services.

4. OTHER INCOME/OTHER GAINS

Other income

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Bank interest income	189	209
Interest income from payment for life insurance policies	225	569
Sundry income	970	69
Government grants	14,764	–
	<u>16,148</u>	<u>847</u>

During the current year, the Group recognised government grants of HK\$14,764,000 in respect of COVID-19-related subsidies, of which mainly represented HK\$10,540,000 relates to Employment Support Scheme provided by the Hong Kong government, HK\$2,550,000 relates to one-off subsidy to the registered owners of commercial vehicles and HK\$1,674,000 relates to an administration fee on anti-epidemic fund for cleaning workers.

Other gains

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Gain on disposal of plant and equipment, net	851	786
Net foreign exchange gains	3	27
Others	–	69
	<u>854</u>	<u>882</u>

5. FINANCE COSTS

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Interests on:		
Bank and other borrowings	3,498	4,718
Lease liabilities	1,983	2,261
Imputed interest expense on shareholder loans	796	55
	<u>6,277</u>	<u>7,034</u>

6. PROFIT (LOSS) BEFORE TAXATION

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Profit (loss) before taxation has been arrived at after charging:		
Auditor's remuneration	1,100	1,200
Depreciation of plant and equipment	6,000	4,679
Depreciation of right-of-use assets	23,345	24,031
Provision on litigation claims (included in other expenses)	1,700	1,896
Directors' remuneration	5,445	5,089
Other staff costs		
Salaries, bonuses and other benefits	505,696	444,727
Retirement benefits scheme contributions	14,057	11,705
Total staff costs	525,198	461,521

7. INCOME TAX (EXPENSE) CREDIT

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Hong Kong Profits Tax:		
– Current tax	(732)	(234)
– Underprovision in previous years	(158)	(141)
Deferred tax credit	66	779
	(824)	404

8. DIVIDEND

No dividends were paid, declared and proposed by the Company during the year ended 31 December 2020 (2019: Nil).

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

9. EARNINGS (LOSS) PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit/(loss)		
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic earnings/loss per share	<u>18,387</u>	<u>(16,115)</u>
	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/loss per share	<u>400,000,000</u>	<u>400,000,000</u>

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

10. TRADE RECEIVABLES

As at 1 January 2019, trade receivables from contracts with customers amounted to HK\$129,778,000.

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

	As at 31 December	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Government customers	93,821	129,150
Non-government customers	<u>11,805</u>	<u>9,181</u>
	<u>105,626</u>	<u>138,331</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	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	59,826	56,163
31–60 days	42,730	54,689
61–90 days	2,212	22,136
91–180 days	837	4,553
Over 180 days	<u>21</u>	<u>790</u>
	<u>105,626</u>	<u>138,331</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	
	2020	2019
	HK\$'000	HK\$'000
0–30 days	2,733	5,029
31–60 days	2,025	2,368
61–90 days	166	600
Over 90 days	2	1,625
	<u>4,926</u>	<u>9,622</u>

12. ISSUED SHARE CAPITAL

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

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2019, 31 December 2019 and 2020	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 2020	<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 2020 include various departments of the Hong Kong Government, property management companies and other corporations in the private sector.

The substantial improvement in financial performance in the Reporting Period was mainly driven by the award of new tender contracts with higher profit margins, and the receipt of the Employment Support Scheme, the anti-epidemic fund subsidy of commercial vehicles and other income from administration fee on anti-epidemic fund for cleansing workers, as well as the strategies of enhancing our operational efficiency. Moreover, public and private organizations have stepped up epidemic prevention efforts in response to the spread of COVID-19, which also resulted in an increase in the demand for cleaning services of the Group.

During the Reporting Period, the competition in the environmental hygiene service industry remained keen. Shortage of labour and high operating costs, particularly the insurance expenses, labour costs, vehicle expenses, legal and professional expenses continued to be the challenges of the business. However, the overall administrative expenses decreased slightly, which was mainly attributable to the decrease in life insurance charges and the postponement of companies activities due to the outbreak of COVID-19.

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

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

Undoubtedly, we intend to secure more tender contracts with both government departments of Hong Kong and private sectors that have not previously engaged our service. With our considerable resources, including our stable and sizeable labour force and growing fleet of specialized vehicles, we believe that we are particularly well-equipped to undertake new projects of government departments of Hong Kong and private sectors, which generally require cleaning services providers with substantial resources, such as our Group, to undertake their medium-size and large scale projects.

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

By bolstering our sales and marketing manpower to promote our brand recognition in the coming years, we will endeavour to become more competitive and be able to compete for more sizeable and profitable projects.

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. According to the announcement of the Company dated 22 July 2020 (the “**Announcement**”) in relation to the entering into a memorandum of understanding with Zhongfeng International Investment Holdings Group Co., Limited in respect of the possible subscription of convertible bonds, 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 memorandum of understanding shall be deemed to be lapsed and terminated.

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.

Financial Results

Revenue of the Group increased by approximately 14.8% from approximately HK\$579.9 million for the year ended 31 December 2019 to approximately HK\$665.8 million for the Reporting Period. The Group, recorded an increase in the cost of services by approximately 12.2% to approximately HK\$624.5 million (2019: approximately HK\$556.7 million) and an increase of approximately 78.4% in gross profit to approximately HK\$41.3 million (2019: approximately HK\$23.2 million). Gross profit margin also increased by approximately 2.2% to 6.2% (2019: approximately 4.0%). Such increase was mainly attributable to the better margins from the new tender contracts awarded and our strategies of enhancing our operational efficiencies. Coupled with the receipt of the Employment Support Scheme, the anti-epidemic fund subsidy of commercial vehicles and other income from administration fee received for processing the anti-epidemic fund for cleaning workers, as well as the decrease in administrative expenses and finance costs, the Group recorded a profit attributable to equity shareholders of the Company (the “**Shareholders**”) for the year ended 31 December 2020 which amounted to approximately HK\$18.4 million (as compared to a net loss of approximately HK\$16.1 million for the corresponding period in 2019).

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: nil).

HUMAN RESOURCES

As at 31 December 2020, the Group employed 3,177 employees, including both full time and part time (31 December 2019: 3,564). 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 2020 and 2019 were approximately HK\$665.8 million and HK\$579.9 million, respectively, representing an increase of approximately 14.8%. 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 2020 and 2019:

	For the year ended 31 December			
	2020		2019	
	HK\$'000	%	HK\$'000	%
Cleaning services	533,448	80.1	426,650	73.6
Pest management services	43,848	6.6	64,416	11.1
Waste management and recycling services	88,060	13.2	88,225	15.2
Landscaping services	409	0.1	573	0.1
Total	<u>665,765</u>	<u>100.0</u>	<u>579,864</u>	<u>100.0</u>

The revenue from cleaning services increased by approximately 25.0% for the year ended 31 December 2020 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 31.9% for the year ended 31 December 2020 as compared to the previous year as certain pest management services contracts expired during the year. The revenue from waste management and recycling services slightly decreased by approximately 0.2% for the year ended 31 December 2020 as compared to the previous year.

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

Cost of Services

For the years ended 31 December 2020 and 2019, the cost of services of the Group amounted to approximately HK\$624.5 million and HK\$556.7 million respectively, representing approximately 93.8% and 96.0% 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 increase in cost of services was mainly caused by the increase in direct labour costs and insurance expenses attributable to the new tender contracts awarded.

Gross Profit

The Group's gross profit for the year ended 31 December 2020 was approximately HK\$41.3 million, representing an increase of approximately 78.4% from approximately HK\$23.2 million for the year ended 31 December 2019. The increase was mainly caused by the better margins from the new tender contracts awarded and our strategies of enhancing our operational efficiencies.

Gross Profit Margin

The gross profit margins of the Group for the years ended 31 December 2020 and 2019 were approximately 6.2% and 4.0% respectively. As mentioned above, the increase in gross profit margin was mainly attributable to several contracts with higher gross profit margins in the Reporting Period.

Other income

The Group's other income for the years ended 31 December 2020 and 2019 were approximately HK\$16.1 million and HK\$847,000 respectively. The significant increase was mainly due to the Group recognised government grants of HK\$14.7 million in respect of COVID-19-related subsidies, out of which HK\$10.5 million relates to the Employment Support Scheme provided by the Hong Kong government, HK\$2.6 million relates to the one-off subsidy to the registered owners of commercial vehicles and HK\$1.7 million relates to an administration fee on anti-epidemic fund for cleaning workers.

Administrative Expenses

The administrative expenses incurred by the Group for the years ended 31 December 2020 and 2019 were approximately HK\$31.1 million and HK\$32.5 million respectively, representing a decrease of approximately 4.2%, and approximately 4.7% and 5.6% of the respective year's total revenue. The decrease was mainly due to the decrease in life insurance charges and the postponement of companies activities due to the outbreak of COVID-19. The Group continues to implement its budgeted cost control measures for administrative expenses.

Finance Costs

The finance costs of the Group amounted to approximately HK\$6.3 million and HK\$7.0 million for the years ended 31 December 2020 and 2019 respectively, representing approximately 0.9% and approximately 1.2% of the Group's revenue in the respective years.

Profit Attributable to Owners of The Company

As a result of the foregoing, the profit attributable to the Shareholders for the year ended 31 December 2020 amounted to approximately HK\$18.4 million as compared to the loss attributable to the Shareholders of approximately HK\$16.1 million for the year ended 31 December 2019.

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 2020, total bank and other borrowings of the Group amounted to approximately HK\$81.7 million (2019: approximately HK\$119.2 million) which represented the secured and guaranteed bank overdrafts, secured and guaranteed bank borrowings including revolving loans, term loans, and loans from factoring of trade receivables with full recourse, unsecured and unguaranteed other borrowings and unsecured and unguaranteed shareholder loans. As at 31 December 2020, the cash and cash equivalents and pledged bank balances of the Group amounted to approximately HK\$79.1 million (2019: approximately HK\$42.8 million). As at 31 December 2020, debt to equity ratio of the Group was approximately 63.6% (2019: approximately 376.2%). 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 years. Current ratio as at 31 December 2020 was approximately 1.1 time (2019: approximately 1.0 time).

The Group maintained sufficient working capital as at 31 December 2020 with bank balances and cash of approximately HK\$35.6 million (2019: approximately HK\$21.0 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 2020, the Group's net current assets amounted to approximately HK\$12.2 million (2019: approximately HK\$3.1 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.

CONTINGENT LIABILITIES

As at 31 December 2020, performance guarantee of approximately HK\$102,978,000 (2019: HK\$111,759,000) 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 was a 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 2020 is set out below:

Summary of use of proceeds

Use of net proceeds	Total planned amount to be used <i>HK\$' million</i>	Actual amount utilized up to 31 December 2019 <i>HK\$' million</i>	Actual amount utilized during the year ended 31 December 2020 <i>HK\$' million</i>	Actual amount utilized up to 31 December 2020 <i>HK\$' million</i>	Unutilized balance as at 31 December 2020 <i>HK\$' million</i>	Expected timeline for utilising the remaining
						Net Proceeds as at 31 December 2020
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	0.1	0.3	0.4	2.3	On or before 31 December 2021
Repay a bank loan	2.9	2.9	–	2.9	–	
General working capital	1.8	1.8	–	1.8	–	
Total	18.7	16.1	0.3	16.4	2.3	

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 2020, the amount of lease liabilities within one year was approximately HK\$22.8 million (31 December 2019: HK\$25.4 million), and after one year but within five years was approximately HK\$8.8 million (31 December 2019: HK\$30.8 million).

As at 31 December 2020, we had approximately HK\$67.6 million (31 December 2019: HK\$99.6 million) of secured bank borrowings (excluding secured bank overdrafts). Such loans were primarily used in financing the working capital requirement of our operations.

In addition, we have (i) pledged bank balances of approximately HK\$43.5 million as at 31 December 2020 (31 December 2019: HK\$21.8 million), (ii) pledged the Group's trade receivables of approximately HK\$105.6 million as at 31 December 2020 (31 December 2019: HK\$138.3 million) and (iii) pledged the Group's motor vehicles of approximately HK\$37.8 million (31 December 2019: HK\$61.3 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 2020, 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 2020.

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. Tam Yiu Shing, Billy, Ms. Lam Kit Yan and Mr. Ho Kin Wai will retire from office as Directors at the forthcoming AGM, and being eligible, will offer themselves for re-election.

Each of Mr. Lam Pak Ling, Mr. Cai Weiming and Mr. Wong Tsz Chun, Jacky, being all executive Directors, has entered into a service agreement with the Company for an initial term of three years commencing from 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 has been renewed for a further term of three years and 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.

CHANGE OF DIRECTOR

During the Reporting Period, Mr. Gao Ran was appointed a non-executive Director of the Company on 22 July 2020 and resigned on 20 November 2020.

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 2020.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

PERMITTED INDEMNITY PROVISION AND INSURANCE

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2020, 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 2020, 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 2020, 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 2020 (2019: nil).

ANNUAL GENERAL MEETING (“AGM”)

The forthcoming AGM will be held on Thursday, 6 May 2021. 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 Monday, 3 May 2021 to Thursday, 6 May 2021, 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 Friday, 30 April 2021.

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 2020 and to the date of this report, the Audit Committee had reviewed the final results of the Group for the year ended 31 December 2019, the first quarterly results (and related quarterly report) of the Group for the three months ended 31 March 2020, the interim results (and interim report) of the Group for the six months ended 30 June 2020 and the third quarterly results (and related quarterly report) of the Group for the nine months ended 30 September 2020. The Group's final results for the year ended 31 December 2020 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 2020 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, 24 March 2021

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.