

LAPCO HOLDINGS LIMITED



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



2024 INTERIM REPORT



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

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

The board (the “**Board**”) of Directors of Lapco Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2024, together with the comparative unaudited figures of the corresponding period in 2023.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue	4	461,249	485,442
Cost of services		(437,847)	(458,659)
Gross profit		23,402	26,783
Other income		1,819	2,146
Other gains and (losses)	5	8,243	(29)
Loss on disposal of a subsidiary	16	(2,431)	–
Administrative expenses		(19,517)	(17,707)
Finance costs		(3,563)	(2,177)
Profit before taxation	6	7,953	9,016
Income tax expense	7	(1,101)	(1,301)
Profit and other comprehensive income attributable to owners of the Company for the period		6,852	7,715
Earnings per share	9		(restated)
Basic (HK cents)		0.08	0.45

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Non-current assets			
Plant and equipment	10	24,702	30,761
Right-of-use assets		27,404	40,942
Deposits and prepayments		1,530	14,008
Deposits for acquisition of plant and equipment		763	2,578
Deferred tax assets		481	481
		54,880	88,770
Current assets			
Trade receivables	11	29,065	126,503
Other receivables, deposits and prepayments		33,886	12,880
Pledged bank balances		17,700	29,700
Cash and cash equivalents		84,218	72,277
		164,869	241,548
Current liabilities			
Trade payables	13	2,799	12,263
Other payables and accrued charges	14	13,752	70,762
Provisions		2,119	30,297
Bank and other borrowings	15	21,560	34,674
Lease liabilities		7,295	11,382
Tax payables		321	321
		47,846	179,699
Net current assets		117,023	61,849
Total assets less current liabilities		171,903	150,619
Non-current liabilities			
Provisions		2,629	22,003
Deferred tax liabilities		5,023	5,038
Lease liabilities		14,408	22,299
		22,060	49,340
Net assets		149,843	101,279
Capital and reserves			
Issued share capital	17	19,200	4,800
Reserves		130,643	96,479
Equity attributable to owners of the Company		149,843	101,279

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company				
	Issued share capital HK\$'000	Share Premium HK\$'000	Other reserve HK\$'000 (note 1)	Accumulated profits HK\$'000	Total HK\$'000
At 1 January 2023 (Audited)	4,000	31,362	11,051	32,896	79,309
Placing of new shares (Note 2)	800	7,111	–	–	7,911
Profit and total comprehensive income for the period (Unaudited)	–	–	–	7,715	7,715
At 30 June 2023 (Unaudited)	4,800	38,473	11,051	40,611	94,935
At 1 January 2024 (Audited)	4,800	38,472	11,051	46,956	101,279
Issue of ordinary shares under rights issue (Note 3)	14,400	27,312	–	–	41,712
Profit and total comprehensive income for the period (Unaudited)	–	–	–	6,852	6,852
At 30 June 2024 (Unaudited)	19,200	65,784	11,051	53,808	149,843

Note 1: Other reserve represented the difference between the share capital of Lapco Service Limited, Shiny Glory Services Limited (“**Shiny Glory**”) and Shiny Hope Limited and that of Sharp Idea Global Limited issued pursuant to a group reorganisation completed in 2017 and fair value adjustment on the non-current shareholder loans using the effective interest rate of 7.5% per annum.

Note 2: On 4 May 2023, the Company entered into a placing agreement with a placing agent for placing a maximum of 80,000,000 ordinary shares (the “**Placing Shares**”) of the Company at a placing price of HK\$0.1 per Placing Share. On 5 June 2023, 80,000,000 Placing Shares were placed at a subscription price of HK\$0.1 per Placing Share. The shares issued rank pari passu with other shares in issue in all aspects.

Note 3: On 1 March 2024, the Company raised gross proceeds of up to approximately HK\$43.20 million by way of the issue of up to 72,000,000 Rights Shares, at the Subscription Price of HK\$0.60 per Rights Share on the basis of three (3) Rights Share for every one (1) Share held on 30 January 2024. The net proceeds from the Rights Issue after deducting the expenses were approximately HK\$41.7 million.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June

	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES	9,496	28,899
INVESTING ACTIVITIES		
Interest received	1,640	340
Purchases of plant and equipment	(1,777)	(1,620)
Proceeds from disposal of plant and equipment	2,983	62
Deposit paid for acquisition of plant and equipment	–	(794)
Disposal of a subsidiary (Note 16)	(23,510)	–
NET CASH USED IN INVESTING ACTIVITIES	(20,664)	(2,012)
FINANCING ACTIVITIES		
Interest paid	(2,236)	(2,177)
Repayment of lease liabilities	(13,928)	(6,635)
Repayment of bank and other borrowings	(2,439)	(2,344)
Proceed from issuance of shares	–	7,911
Proceed from rights issues	41,712	–
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	23,109	(3,245)
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,941	23,642
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	72,277	21,084
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD represented by bank balances and cash	84,218	44,726

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 August 2016. The shares of the Company were listed on GEM of the Stock Exchange on 18 July 2017.

The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and principal place of business of the Company is Flat 05, Blk B, 8/F., Hoplite Industrial Centre, 5 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong. The Company is an investment holding company. The principal activities of its subsidiaries are engaged in provision of environmental hygiene services, including (a) cleaning services; (b) pest management services; (c) waste management and recycling services; and (d) landscaping services.

The unaudited condensed consolidated financial statements are presented in Hong Kong Dollar (“**HK\$**”) which is also the functional currency of the Group.

2. BASIS OF PREPARATION AND PRESENTATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those followed in the preparation of the consolidated financial statements for the year ended 31 December 2023.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

Accounting policies newly applied by the Group

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

Government grants

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

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

4. REVENUE AND SEGMENTAL INFORMATION

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

Information reported to the executive Directors of the Company, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

The Group's operating and reportable segments are therefore as follows:

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

Segment revenue and results

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

	Cleaning services HK\$'000	Pest management services HK\$'000	Waste management and recycling services HK\$'000	Landscaping services HK\$'000	Total HK\$'000
<i>For the six months ended</i>					
<i>30 June 2024 (Unaudited)</i>					
Segment revenue	399,232	12,794	49,074	149	461,249
Segment results	22,935	43	414	10	23,402
Other income					1,819
Other gains and (losses)					8,243
Loss on disposal of a subsidiary					(2,431)
Administrative expenses					(19,517)
Finance costs					(3,563)
Profit before taxation					7,953

	Cleaning services HK\$'000	Pest management services HK\$'000	Waste management and recycling services HK\$'000	Landscaping services HK\$'000	Total HK\$'000
<i>For the six months ended</i>					
<i>30 June 2023 (Unaudited)</i>					
Segment revenue	416,270	13,262	55,645	265	485,442
Segment results	25,639	125	1,012	7	26,783
Other income					2,146
Other (losses) and gains					(29)
Administrative expenses					(17,707)
Finance costs					(2,177)
Profit before taxation					9,016

There were no inter-segment revenue for the relevant periods.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

Segment assets and liabilities

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

	Cleaning services HK\$'000	Pest management services HK\$'000	Waste management and recycling services HK\$'000	Landscaping services HK\$'000	Total HK\$'000
<i>As at 30 June 2024 (Unaudited)</i>					
Segment assets	15,268	2,237	60,787	58	78,350
Certain plant and equipment					447
Certain right-of-use assets					4,667
Certain other receivables, deposits and prepayments					33,886
Pledged bank balances					17,700
Bank balances and cash					84,218
Deferred tax assets					481
Total assets					219,749
Segment liabilities	6,827	1,251	10,917	35	19,030
Certain other payables and accrued charges					2,269
Bank and other borrowings					21,560
Lease liabilities					21,703
Tax payables					321
Deferred tax liabilities					5,023
Total liabilities					69,906

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

	Cleaning services HK\$'000	Pest management services HK\$'000	Waste management and recycling services HK\$'000	Landscaping services HK\$'000	Total HK\$'000
At 31 December 2023 (audited)					
Segment assets	138,425	5,404	64,201	218	208,248
Certain plant and equipment					816
Certain right-of-use assets					5,728
Certain other receivables, deposits and prepayments					12,880
Pledged bank balances					29,700
Bank balances and cash					72,277
Tax recoverable					188
Deferred tax assets					481
Total assets					<u>330,318</u>
Segment liabilities	107,283	3,168	14,096	97	124,644
Certain other payables					10,681
Bank borrowings					34,674
Exchangeable bond					20,000
Tax payable					321
Lease liabilities					33,681
Deferred tax liabilities					5,038
Total liabilities					<u>229,039</u>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than certain plant and equipment, certain right-of-use assets, certain other receivables, deposits and prepayments, pledged bank balances and bank balances and cash.
- all liabilities are allocated to operating and reportable segments other than certain other payables and accrued charges, tax payables, loan from a director of the Company's subsidiaries, exchangeable bond, bank and other borrowings, lease liabilities and deferred tax liabilities.

5. OTHER GAINS/(LOSSES)

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Gain on disposal of plant and equipment, net	8,166	–
Net foreign exchange gains/(loss)	77	(29)
	8,243	(29)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Auditor's remuneration	600	500
Directors' remuneration	1,340	1,024
Other staff costs		
– Salaries, bonuses and other benefits	348,468	380,390
– Retirement benefit scheme contributions	10,019	11,500
Total staff costs	359,827	392,914
Depreciation of right-of-use assets, plant and equipment	12,370	11,784

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Hong Kong Profits Tax		
– Current tax	1,101	1,301

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

8. DIVIDEND

No dividends were paid, declared or proposed during the current and prior interim periods. The Directors of the Company do not recommend payment of interim dividend for the current interim period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Earnings for the period attributable to owners of the Company for the purpose of calculating basic earnings per share	6,852	7,715

	Six months ended 30 June	
	2024 '000 (Unaudited)	2023 '000 (Unaudited) (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	89,261,964	17,114,273

The weighted average number of ordinary shares for the six months ended 30 June 2024 and 2023 for the purpose of calculating the basic earnings per share, had been adjusted to account for (i) the effect of share consolidation; (ii) the effect of the bonus element of the rights issue of the Company which was completed on 1 March 2024 ("**Rights Issue**").

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

10. MOVEMENTS IN PLANT AND EQUIPMENT

During the current interim period, the Group acquired plant and equipment of approximately HK\$3,592,000 (six months ended 30 June 2023: approximately HK\$1,620,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

11. TRADE RECEIVABLES

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
0 – 30 days	13,281	77,670
31 – 60 days	11,641	32,740
61 – 90 days	2,743	13,091
91 – 180 days	1,398	2,839
Over 180 days	2	163
	29,065	126,503

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

As at 30 June 2024, other receivables from the disposal of vehicles amounted to HK\$15,534,000. The balance was subsequently settled on 9 August 2024. For the details of the disposal of vehicles, please refer to Company's announcement dated 24 June 2024 and 16 July 2024.

13. TRADE PAYABLES

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
0 – 30 days	2,605	5,397
31 – 60 days	171	5,366
61 – 90 days	1	1,337
Over 90 days	22	163
	2,799	12,263

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

14. OTHER PAYABLES AND ACCRUED CHARGES

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Salaries payables	10,071	59,745
Subcontracting fee payables	–	5,133
Payable for acquisition of plant and equipment	–	663
Other payables	3,681	5,221
	13,752	70,762

15. BANK AND OTHER BORROWINGS

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Secured and guaranteed bank borrowings:		
Loans from factoring of trade receivables with full recourse	7,616	18,291
Other bank loans	13,944	16,383
	21,560	34,674

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

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

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Effective interest rate per annum:		
Floating-rate borrowings	4.38%-4.58%	4.13%-4.58%

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

16. DISPOSAL OF A SUBSIDIARY

On 25 June 2024, upon the exercise of an exchangeable bond issued by the Company for the entire equity interest in Shiny Glory Services Limited by the bondholder, Shiny Glory Services Limited ceased to be a subsidiary of the Company. Shiny Glory Services Limited is principally engaged in provision of environmental hygiene services in Hong Kong.

The amounts of assets and liabilities of Shiny Glory Services Limited as at the date of disposal were as follows:

	HK\$'000 (Unaudited)
Plant and equipment	223
Deposit	13,031
Trade receivables	116,188
Deposits, other receivables and prepayments	1,873
Pledged bank balances	12,000
Bank balances	38,182
Trade payables	(8,048)
Other payables	(55,945)
Bank borrowings	(24,161)
Tax payables	(478)
Provisions	(55,747)
Deferred tax liabilities	(15)
Total identifiable net assets at fair value	37,103
Loss on disposal	(2,431)
	34,672
Total consideration satisfied by:	
Cash received	14,672
Exercise of exchangeable bond	20,000
	34,672

An analysis of the cash flows in respect of the disposal of a subsidiary is as follows:

	HK\$'000
Cash consideration	14,672
Cash and bank balance acquired	(38,182)
Total net cash outflow from investment activities	(23,510)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

17. SHARE CAPITAL

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

	Number of shares		Share capital	
	30 June 2024 (Unaudited)	31 December 2023 (Audited)	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Ordinary shares of HK\$0.01 each				
Authorised:				
At the beginning of the period/year	100,000	10,000,000,000	100,000	100,000
Share consolidation (note (ii))	-	(9,500,000,000)	-	-
At the end of the period/year	100,000	500,000,000	100,000	100,000
Issued and fully paid:				
At the beginning of the period/year	24,000,000	400,000,000	4,800	4,000
Placing of shares (note (i))	-	80,000,000	-	800
Share consolidation (note (ii))	-	(456,000,000)	-	-
Issue of ordinary shares under rights issue (note (iii))	72,000,000	-	14,400	-
At the end of the period/year	96,000,000	24,000,000	19,200	4,800

Notes:

- (i) On 4 May 2023, the Company entered into a placing agreement with a placing agent for placing a maximum of 80,000,000 ordinary shares (the "**Placing Shares**") of the Company at a placing price of HK\$0.1 per Placing Share. On 5 June 2023, 80,000,000 Placing Shares were placed at a subscription price of HK\$0.1 per Placing Share. The shares issued rank pari passu with other shares in issue in all aspects.
- (ii) On 23 June 2023, the Company proposed to implement the share consolidation on the basis that every twenty (20) issued and unissued existing shares of HK\$0.01 each in the share capital of the Company be consolidated into one consolidated share of HK\$0.2 each (the "**Share Consolidation**"). The Share Consolidation became effective on 1 August 2023. For details of the Share Consolidation, please refer to the Company's announcements dated 23 June 2023 and 28 July 2023 and the circular of the Company dated 7 July 2023.
- (iii) On 24 November 2023, the Company announced to raise gross proceeds of up to approximately HK\$43.2 million by way of the issue of up to 72,000,000 new shares ("**Rights Shares**") at the subscription price of HK\$0.60 per Rights Share on the basis of three (3) Rights Share for every one (1) Share held on 30 January 2024.

The Rights Issue was completed on 1 March 2024. A total of 72,000,000 Rights Shares were issued. The gross and net proceeds were approximately HK\$43.2 million and HK\$41.7 million respectively. The net price was approximately HK\$0.579 per Rights Share. For details of the Rights Issue, please refer to the Company's announcements dated 24 November 2023, 19 February 2024 and 29 February 2024, the circular of the Company dated 21 December 2023 and the prospectus of the Company dated 30 January 2024.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

18. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions and balances with its related parties during the period:

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Exchangeable Bond issued to a director of the Company's subsidiary	–	20,000

Compensation of the directors and key management personnel

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

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Short-term benefits	2,932	2,273
Post-employment benefits	36	20
	2,968	2,293

FINANCIAL REVIEW

The Group's revenue decreased by approximately 5.0% from approximately HK\$485.4 million for the six months ended 30 June 2023 to approximately HK\$461.2 million for the six months ended 30 June 2024, primarily attributable to the expiration of certain cleaning service contracts. During the six months ended 30 June 2024 (the "Reporting Period"), the Group's gross profit decreased by approximately 12.7% from approximately HK\$26.8 million for the six months ended 30 June 2023 to approximately HK\$23.4 million for the Reporting Period. The Group's cost of services mainly comprises direct labour costs, vehicle expenses, consumables and direct overheads. The gross profit margins for the six months ended 30 June 2023 and 2024 were approximately 5.5% and approximately 5.1%, respectively. The decrease in the gross profit margins was mainly caused by the expiration of some profitable contracts.

Other income decreased by approximately 15.2% from approximately HK\$2.1 million for the six months ended 30 June 2023 to approximately HK\$1.8 million for the Reporting Period. The decrease was mainly due to the contribution from the government subsidy decreased from approximately HK\$1.1 million for the six months ended 30 June 2023 to approximately Nil for the Reporting Period.

Other gains of approximately HK\$8.2 million for the Reporting Period, which mainly represent the gain on disposal of motor vehicles. For the details of the disposal of vehicles, please refer to Company's announcements dated 24 June 2024 and 16 July 2024 respectively.

Administrative expenses increased by approximately 10.2% from approximately HK\$17.7 million for the six months ended 30 June 2023 to approximately HK\$19.5 million for the Reporting Period, mainly due to 1) increase in salaries of approximately HK\$1.0 million, and 2) one-off relocation of office of approximately HK\$0.5 million.

The Group's finance costs increased by approximately 63.6% from approximately HK\$2.2 million for the six months ended 30 June 2023 to approximately HK\$3.6 million for the Reporting Period, representing approximately 0.4% and approximately 0.8% of the Group's revenue in the respective periods.

The Group's net profit after taxation for the Reporting Period decreased by approximately 11.1% to approximately HK\$6.9 million, as compared to approximately HK\$7.7 million for the corresponding period in 2023. It was mainly attributed to (1) decrease of gross profit of approximately HK\$3.4 million; (2) loss on disposal of a subsidiary of approximately HK\$2.4 million; and (3) increase of administrative expense by approximately HK\$1.8 million for the Reporting Period, offset by other gain on disposal of motor vehicles of approximately HK\$8.2 million.

BUSINESS REVIEW AND OUTLOOK

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.

Looking ahead, the Group will maintain its strategic focus to achieve on profitability and strengthen its competitive edge by delivering greater value to its customers through quality management, competitive pricing and customer service. The Group will also cautiously explore and identify any new business opportunities with an objective to broaden its business scope and benefit from diversified return from the future.

During the Reporting Period, the Group first expanded its principal business in the online game industry by entering into its first online game licensing agreement with game developers in April 2024, pursuant to which, the licensor granted to the Group the exclusive, transferable and sub-licensable rights to promote, operate, publish, reproduce and distribute the licensed games and the products and services related thereto. No revenue was generated from this business segment during the Reporting Period. The online game business is expected to generate revenue during the year ending 31 December 2025. After the Reporting Period, the Group further entered into more online game licensing agreements which on an aggregate basis with its first online game licensing agreement entered into in April 2024 constitute a discloseable transaction of the Company under the GEM Listing Rules. The Group will continue to use its best endeavours to market and promote its licensed games to expand its online game business.

Liquidity, Financial and Capital Resources

As at 30 June 2024, the Group's bank balances and cash amounted to approximately HK\$101.9 million (31 December 2023: approximately HK\$102.0 million). Total borrowings of the Group amounted to approximately HK\$21.6 million (31 December 2023: approximately HK\$54.7 million) which represented the secured and guaranteed bank borrowings and loans from factoring of trade receivables with full recourse, other bank loans and the Exchangeable Bond. As at 30 June 2024, the bank balances and cash and pledged bank balances of the Group amounted to approximately HK\$101.9 million (31 December 2023: approximately HK\$102.0 million). As at 30 June 2024, and 31 December 2023, the Group were in net cash position. Debt to equity ratio is calculated by dividing the net debt, which is defined to include bank and other borrowings and lease liabilities net of pledged bank balances and bank balances and cash, by total equity at the end of the respective periods. Current ratio as at 30 June 2024 was approximately 1.4 times (31 December 2023: approximately 1.3 times).

As at 30 June 2024, the Group's net current assets amounted to approximately HK\$117.0 million (31 December 2023: approximately HK\$61.8 million). The Group's operations are financed principally by operating cashflow generated from its business operation, available cash and bank balances, bank and other borrowings, lease liabilities and proceeds from the Company's equity fund raising exercise. The funding mix will be adjusted depending on the costs of funding and the actual needs of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Structure

As at 30 June 2024, the share capital and equity attributable to owners of the Company amounted to approximately HK\$19.2 million and approximately HK\$149.8 million, respectively (31 December 2023: approximately HK\$4.8 million and approximately HK\$101.3 million, respectively).

Pledge of Assets

As at 30 June 2024, trade receivables, bank deposits and motor vehicles of the Group were pledged to secure the Group's borrowings.

As at 31 December 2023, trade receivables, life insurance policies, bank deposits and motor vehicles of the Group were pledged to secure the Group's borrowings.

Exchange Rate Exposure

Most of transactions of the Group are denominated in Hong Kong dollars and the Group is not exposed to significant foreign exchange exposure.

Contingent Liabilities

As at 30 June 2024, performance guarantee of approximately HK\$42,894,000 (31 December 2023: HK\$154,494,000) and HK\$4,601,000 (31 December 2023: HK\$6,490,000) were given by banks and an insurance company respectively in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to its customers to whom performance guarantee have been given, such customers may demand the banks and the insurance company to pay to them the sum stipulated in such demand. The Group will become liable to compensate such banks and the insurance company accordingly. The performance guarantee will be released upon completion of the service contracts.

As at 30 June 2023 and 2024, the Directors do not consider that a claim will be made against the Group.

Significant Investments held, Material Acquisition or Disposal of Subsidiaries and Affiliated Companies

Save as disclosed below, there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2024.

Exercise of the Exchangeable Bond

On 17 February 2023, the Company issued an exchangeable bond (the “**Exchangeable Bond**”) to Mr. Tam Wai Tong (“**Mr. Tam**”) at a principal amount of HK\$20,000,000, payable by automatically and immediately setting off in its entirety against the Company’s obligation to repay loans in an aggregate principal amount of HK\$20,000,000 due from the Company to Mr. Tam. Mr. Tam was a connected person at the subsidiary level of the Company under Chapter 20 of the GEM Listing Rules at the time of issue of the Exchangeable Bond.

The issue of the Exchangeable Bond grants the bondholder an exchange right (the “**Exchange Right**”) to exchange the Exchangeable Bond into 100% of the issued share capital of Shiny Glory Services Limited (“**Shiny Glory**”) during the period from the first day of the fourth month from the issue date of the Exchangeable Bond and up to the day immediately prior to 31 December 2024, which will be deemed to be a disposal of interest in Shiny Glory to the bondholder under the GEM Listing Rules. For details of the terms of the Exchangeable Bond, please refer to the Company’s announcements dated 19 January 2023 and 17 February 2023 and the circular of the Company dated 20 January 2023.

Mr. Tam subsequently disposed of the Exchangeable Bond to an independent third party (the “**Bondholder**”). On 25 June 2024, the Bondholder exercised the Exchange Right to exchange all the outstanding principal amount of the Exchangeable Bond for the entire issued share capital of Shiny Glory, upon which, Shiny Glory ceased to be a subsidiary of the Company.

Discloseable Transaction

Disposal of vehicles

On 24 June 2024, Shiny Hope Limited and ET Global Limited, each being an indirect wholly-owned subsidiary of the Company, as transferors (the “**Transferors**”), entered into a vehicles purchase agreement with Global Start Development Limited, an independent third party, as transferee (the “**Transferee**”), pursuant to which each of the Transferors has agreed to sell and the Transferee has agreed to purchase, 163 specialised cleaning vehicles used in the Group’s business for, among others, waste compaction and street washing, at the consideration of HK\$19,000,000.

As one or more of the applicable percentage ratios (as calculated in accordance with Rule 19.07 of the GEM Listing Rules) are more than 5% but less than 25%, the transaction constitutes a discloseable transaction of the Company under the GEM Listing Rules. For details of the transaction, please refer to the announcements of the Company dated 24 June 2024 and 16 July 2024.

Capital Commitment

As at 30 June 2024, the Group had capital commitments of HK\$0.1 million for acquisition of additional motor vehicles to expand our fleet of specialised vehicles (31 December 2023: HK\$0.7 million).

Employee and Emolument Policies

As at 30 June 2024, the Group had approximately 534 employees (31 December 2023: approximately 3,279 employees). Remuneration is determined with reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual’s performance, are paid to employees as recognition and in reward for their contributions. Other fringe benefits such as medical insurance, retirement benefits and other allowances are offered to all the full time employees.

Events after the Reporting Period

Exclusive online game licensing agreements

On 20 August 2024, Ligao Hualu Shenzhen Technology Company Limited* (立高華祿(深圳) 科技有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company (“**Licensee 1**”) and Perfect Capital Limited (財百有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company (“**Licensee 2**”, together with Licensee 1, the “**Licensees**”) entered into four licensing agreements (together with the first licensing agreement (“**Licensing Agreement 1**”) entered into on 8 April 2024, the “**Licensing Agreements**”) with various licensors (the “**Licensors**”), pursuant to which, the Licensors granted to the Licensees the exclusive, transferable and sub-licensable rights to promote, operate, publish, reproduce and distribute the certain licensed games (the “**Licensed Games**”) and the products and services related thereto within the authorised territories for a term of five (5) years.

Since the Licensing Agreements were entered into or completed within a 12 month period or are otherwise related and lead to substantial involvement by the Company in a business activity which did not previously form part of the Company’s principal business activities, the Licensing Agreements are required to be aggregated as a series of transactions pursuant to Rules 20.79 and 20.80 of the GEM Listing Rules.

As one or more of the applicable percentage ratios (on an aggregate basis with Licensing Agreement 1 which was entered into on 8 April 2024, as calculated in accordance with Rule 19.07 of the GEM Listing Rules) are more than 5% but less than 25%, the transaction constitutes a discloseable transaction of the Company under the GEM Listing Rules and is therefore subject to the reporting and announcement requirements but exempt from the circular and shareholders’ approval requirements under Chapter 19 of the GEM Listing Rules. For details of the transaction, please refer to the announcement of the Company dated 20 August 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of IPO Proceeds

The net proceeds from the issue of new shares of the Company through the Public Offer of an aggregate of 10,000,000 Public Offer Shares and the placing of 90,000,000 ordinary shares of HK\$0.01 each in the share capital of the Company at the price of HK\$0.50 per share, after deducting the underwriting commission and estimated listing expenses borne by our Group and excluding the net proceeds of the Sale Shares, were approximately HK\$18.7 million (“**Actual Proceeds**”), as compared to the estimated net proceeds of approximately HK\$20.8 million as disclosed in the prospectus dated 30 June 2017 of the Company (the “**Prospectus**”), there were shortage of approximately HK\$2.1 million mainly due to the additional listing expenses at final payment. Accordingly, the Group has adjusted the use of proceeds on a pro-rata basis. The utilisation of net proceeds as at 30 June 2024 is set out below:

Summary of Use of IPO Proceeds

Use of net proceeds	Total planned amount to be used HK\$' million	Actual amount utilised up to 31 December 2023 HK\$' million	Actual amount utilised during the period ended 30 June 2024 HK\$' million	Actual amount utilised up to 30 June 2024 HK\$' million	Unutilised balance as at 30 June 2024 HK\$' million	Expected timeline for utilising the remaining Net Proceeds
						as at 30 June 2024
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	2.4	0.3	2.7	-	
Repay a bank loan	2.9	2.9	-	2.9	-	
General working capital	1.8	1.8	-	1.8	-	
Total	18.7	18.4	0.3	18.7	-	

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.

Use of Proceeds from Rights Issue

The Company raised gross proceeds of up to approximately HK\$43.20 million by way of the issue of up to 72,000,000 Rights Shares, at the Subscription Price of HK\$0.60 per Rights Share on the basis of three (3) Rights Share for every one (1) Share held on the 1 March 2024. The net proceeds from the Rights Issue after deducting the expenses were approximately HK\$41.70 million. The utilisation of the placing net proceeds as at 30 June 2024 is set out below:

Use of placing net proceeds	Amount of placing net proceeds HK\$ million	Placing net proceeds utilised during the period ended 30 June 2024 HK\$ million	Unutilised placing net proceeds as at 30 June 2024 HK\$ million	Expected timeline for utilising the remaining placing net proceeds
Financing the provision of performance guarantee	26.0	0.6	25.4	31 December 2025
Acquisition of additional vehicles	7.0	0.4	6.6	31 December 2025
Repayment of the Group's bank loans and payables	4.8	4.8	–	
General working capital for business operation and general administrative and operating expenses	3.9	3.9	–	
Total	41.7	9.7	32.0	

MANAGEMENT DISCUSSION AND ANALYSIS

Competing Business

For the Reporting Period, none of the Directors, controlling shareholders or substantial shareholders of the Company or any of their respective close associates (as defined under the GEM Listing Rules) is engaged in any business that competes or may complete, directly or indirectly, with the business of the Group or has any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such persons has or may have with the Group.

Purchase, Sale or Redemption of the Company's Listed Securities

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2024, none of the Directors and chief executive of the Company had any interests or short positions of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), Chapter 571), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2024, the following persons had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of ordinary shares	Approximate shareholding
Mr. Tam Wai Tong	Beneficial interest	23,920,000	24.92%
Yongxin Global Investment Limited	Beneficial interest	12,702,000	13.23%
He Hangyu	Beneficial interest	12,434,000	12.95%
Ye Yongchun	Beneficial interest	11,262,500	11.73%

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

Save as disclosed herein, the Company has not been notified of any other person (other than a Director or a chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 June 2024.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also made specific enquiry with all Directors, and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors from the date of Listing Date and up to the date of this report.

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 C1 to the GEM Listing Rules. During the Reporting Period and up to the date of this report, the Company has complied with all the applicable code provisions of the Code.

CHANGE OF DIRECTOR’S AND SUPERVISOR’S INFORMATION

Ms. Wan Hoi Shan (尹凱珊) (“**Ms. Wan**”) has tendered her resignation as an independent non-executive Director, the chairman of the remuneration committee of the Company (the “**Remuneration Committee**”) and a member of each of the audit committee of the Company (the “**Audit Committee**”) and the nomination committee of the Company (the “**Nomination Committee**”) with effect from 31 March 2024.

Ms. Lam Kit Yan (林潔恩) (“**Ms. Lam**”) has tendered her resignation as an independent non-executive Director and the chairman of the audit committee of the Company (the “**Audit Committee**”) with effect from 31 May 2024.

Mr. Chow Yun Cheung (周潤璋) (“**Mr. Chow**”) has been appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee with effect from 1 April 2024. Mr. Chow has been re-designated as the chairman of the Audit Committee with effect from 31 May 2024.

Mr. Leung Ka Wai (梁嘉偉) (“**Mr. Leung**”) has been appointed as an independent non-executive Director and a member of the Audit Committee with effect from 1 June 2024.

Mr. Au Pak Lun (區柏崙) has tendered his resignation as an executive Director and joint company secretary of the Company with effect from 29 August 2024.

Ms. Liu Jingjing (劉晶晶) has been appointed as an executive Director with effect from 29 August 2024.

Mr. Tam Yiu Shing, Billy (譚耀誠) has tendered his resignation as joint company secretary of the Company with effect from 29 August 2024 and shall remain his position as an executive Director.

Mr. Pang Wai Ho (彭韋豪) (formerly known as Pang Wai Ching (彭偉正)) has been appointed as the company secretary of the Company with effect from 29 August 2024.

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 ("**Mr. Mak**"), Mr. Chow and Mr. Leung. Mr. Chow currently serves as the chairman of the Audit Committee. The duties of the Audit Committee include reviewing, in draft form, the annual report and accounts, half-year report and quarterly reports and providing advice and comments to the Board. In this regard, members of the Audit Committee will liaise with the Board, the senior management and auditors. The Audit Committee will also consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and give consideration to any matters that have been raised by the accounting staff, compliance officer or auditors. Members of the Audit Committee are also responsible for reviewing our Group's financial reporting process and internal control system.

Up to the date of approval of the Group's unaudited results for the Reporting Period, the Audit Committee had held meeting and had reviewed the draft interim report and unaudited condensed consolidated financial statements for the Reporting Period prior to recommending such report and unaudited condensed consolidated financial statements to the Board for approval.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 24 June 2017 which comprises one executive Director and two independent non-executive Directors, namely Mr. Tam Yiu Shing, Billy, Mr. Mak and Mr. Chow. Mr. Chow currently serves as the chairman of the Remuneration Committee. The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for the remuneration of all the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 24 June 2017 which comprises one executive Director and two independent non-executive Directors, namely Mr. Tam Yiu Shing, Billy, Mr. Mak and Mr. Chow. Mr. Tam Yiu Shing, Billy currently serves as the chairman of the Nomination Committee. The Nomination Committee is mainly responsible for making recommendations to the Board on appointment of the Directors and succession planning for the Directors.

By order of the Board
Lapco Holdings Limited
Tam Yiu Shing, Billy
Executive Director

Hong Kong, 29 August 2024

As at the date of this report, the Board comprises three executive Directors, namely, Mr. Tam Yiu Shing, Billy, Mr. Wang Rong and Ms. Liu Jingjing; and three independent non-executive Directors, namely Mr. Mak Kwok Kei, Mr. Chow Yun Cheung and Mr. Leung Ka Wai.

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

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