

# Lapco Holdings Limited

## 立高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8472)

### FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2023

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

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

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

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

*This announcement, 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 announcement 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 announcement misleading.*

The board (the “**Board**”) of directors of Lapco Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the three months ended 31 March 2023, together with the comparative unaudited figures of the corresponding period in 2022.

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

		<b>(Unaudited)</b>	
		<b>Three months</b>	
		<b>ended 31 March</b>	
	<i>Notes</i>	<b>2023</b>	2022
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	4	<b>250,487</b>	197,261
Cost of services		<b>(237,023)</b>	(187,170)
		<hr/>	<hr/>
Gross profit		<b>13,464</b>	10,091
Other income		<b>1,401</b>	1,817
Other gains		<b>11</b>	1
Administrative expenses		<b>(8,873)</b>	(7,324)
Finance costs		<b>(977)</b>	(943)
		<hr/>	<hr/>
<b>Profit before taxation</b>	5	<b>5,026</b>	3,642
Income tax expense	6	<b>(625)</b>	(601)
		<hr/>	<hr/>
<b>Profit and other comprehensive income attributable to owners of the Company for the period</b>		<b>4,401</b>	3,041
		<hr/>	<hr/>
Earnings per share (HK cents)	8	<b>1.10</b>	0.76
		<hr/>	<hr/>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2023

	Attributable to owners of the Company				
	Issued share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> (note)	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2023 (Audited)	4,000	31,362	11,051	32,896	79,309
Profit and total comprehensive income for the period	–	–	–	4,401	4,401
At 31 March 2023 (Unaudited)	<u>4,000</u>	<u>31,362</u>	<u>11,051</u>	<u>37,297</u>	<u>83,710</u>
At 1 January 2022 (Audited)	4,000	31,362	11,051	12,570	58,983
Profit and total comprehensive income for the period	–	–	–	3,041	3,041
At 31 March 2022 (Unaudited)	<u>4,000</u>	<u>31,362</u>	<u>11,051</u>	<u>15,611</u>	<u>62,024</u>

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

# **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the three months ended 31 March 2023*

## **1. GENERAL**

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

The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and principal place of business of the Company is Unit 301A, 3<sup>rd</sup> Floor, Tower III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong. The Company is an investment holding company. The principal activities of its subsidiaries are engaged in provision of environmental hygiene services, including (a) cleaning services; (b) pest management services; (c) waste management and recycling services; and (d) landscaping services.

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

## **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 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.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

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.

#### 4. REVENUE AND SEGMENTAL INFORMATION

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

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

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

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

##### Segment revenue and results

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

	Cleaning services <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>	(Unaudited) Total <i>HK\$'000</i>
<i>For the three months ended</i>					
<i>31 March 2023</i>					
Segment revenue	<u>213,570</u>	<u>7,804</u>	<u>29,012</u>	<u>101</u>	<u>250,487</u>
Segment results	<u>12,735</u>	<u>68</u>	<u>654</u>	<u>7</u>	<u>13,464</u>
Other income					1,401
Other gains					11
Administrative expenses					(8,873)
Finance costs					<u>(977)</u>
Profit before taxation					<u>5,026</u>

	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>	(Unaudited) Total <i>HK\$'000</i>
<i>For the three months ended</i>					
<i>31 March 2022</i>					
Segment revenue	<u>150,444</u>	<u>16,607</u>	<u>30,055</u>	<u>155</u>	<u>197,261</u>
Segment results	<u>10,771</u>	<u>353</u>	<u>(1,035)</u>	<u>2</u>	<u>10,091</u>
Other income					1,817
Other gains					1
Administrative expenses					(7,324)
Finance costs					<u>(943)</u>
Profit before taxation					<u>3,642</u>

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

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment results represents the results from each segment without allocation of administrative expenses, other income, other gains, 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.

## 5. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	<b>(Unaudited)</b>	
	<b>Three months</b>	
	<b>ended 31 March</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Auditor's remuneration	<b>300</b>	300
Directors' remuneration	<b>374</b>	827
Other staff costs		
– Salaries, bonuses and other benefits	<b>197,218</b>	146,732
– Retirement benefit scheme contributions	<b>5,982</b>	3,787
Total staff costs	<u><b>203,574</b></u>	<u>151,346</u>
Depreciation of right-of-use asset, plant and equipment	<b>6,009</b>	7,045
Lease payment under operating leases in respect of land and buildings entered into:		
– by the Group for minimum lease payments	<u><b>57</b></u>	<u>10</u>

## 6. INCOME TAX EXPENSE

	<b>(Unaudited)</b> <b>Three months</b> <b>ended 31 March</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong Profits Tax		
– Current tax	<b>625</b>	<b>601</b>

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

## 7. DIVIDEND

No dividends were paid, declared or proposed during the three months ended 31 March 2023 and 2022. The Directors of the Company do not recommend payment of interim dividend for the three months ended 31 March 2023 (for the three months ended 31 March 2022: Nil).

## 8. EARNINGS PER SHARE

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

	<b>(Unaudited)</b> <b>Three months</b> <b>ended 31 March</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the period attributable to owners of the Company for the purpose of calculating earnings per share	<b>4,401</b>	<b>3,041</b>

	<b>(Unaudited)</b> <b>Three months</b> <b>ended 31 March</b>	
	<b>2023</b>	<b>2022</b>
	<b>'000</b>	<b>'000</b>
<b>Number of shares</b>		
Number of ordinary shares for the purpose of calculating earnings per share	<b>400,000</b>	<b>400,000</b>

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

The Group's revenue increased by approximately 27.0% from approximately HK\$197.3 million for the three months ended 31 March 2022 to approximately HK\$250.5 million for the three months ended 31 March 2023 (“**Reporting Period**”). During the three months ended 31 March 2023, the Group's gross profit increased by approximately 33.4% from approximately HK\$10.1 million for the three months ended 31 March 2022 to approximately HK\$13.5 million for the three months ended 31 March 2023. The Group's cost of services mainly comprised direct labour costs, vehicle expenses, consumables and direct overheads. The gross profit margins for the three months ended 31 March 2022 and 2023 were approximately 5.1% and 5.4%, respectively.

The Group recorded other income of approximately HK\$1.4 million for the three months ended 31 March 2023 as compared to HK\$1.8 million for the corresponding period in 2022 mainly due to the government subsidy of phasing out diesel commercial vehicles of approximately HK\$1.4 million for the three months ended 31 March 2023.

Administrative expenses increased to approximately HK\$8.9 million for the three months ended 31 March 2023 from approximately HK\$7.3 million for the three months ended 31 March 2022, mainly due to 1) increase in professional fee of approximately HK\$1.3 million, mainly due to the issuance of exchangeable bond in 2023, and 2) increase in salaries and bonus payment of approximately HK\$0.4 million to directors and staff for the three months ended 31 March 2023.

The Group's finance costs increased by approximately 3.6% from approximately HK\$0.9 million for the three months ended 31 March 2022 to approximately HK\$1.0 million for the three months ended 31 March 2023, primarily attributable to the increase in interest expenses on obligations under finance leases for vehicles purchased.

The Group recorded a net profit after taxation for the three months 31 March 2023 of approximately HK\$4.4 million, as compared to a net profit after taxation of approximately HK\$3.0 million for the corresponding period in 2022. It was mainly attributed to the new tender contracts awarded and our strategies of enhancing our operational efficiencies.

## **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 three months ended 31 March 2023 include various departments of the Hong Kong Government, property management companies and other corporations in the private sector.

During the Reporting Period, the competition in the environmental hygiene service industry remained keen. Shortage of labour and high operating costs, particularly the insurance expenses, labour costs, vehicle expenses, legal and professional expenses continued to be the challenges of the business.

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

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

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

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

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

Looking ahead, the global and local economies are expected to recover after 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.

### **Competing Business**

For the three months ended 31 March 2023, none of the Directors, controlling shareholders or substantial shareholders of the Company or any of their respective close associates (as defined under the GEM Listing Rules) is engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or has any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such persons has or may have with the Group.

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

During the three months ended 31 March 2023, 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 31 March 2023, 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 31 March 2023, 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:

<b>Name of Shareholder</b>	<b>Nature of interest</b>	<b>Number of ordinary shares</b>	<b>Approximate shareholding</b>
Mr. Cheung Chun Man, Anthony	Interest in controlled corporation	119,600,000	29.90%
Ravarock Financial Group Limited	Beneficial interest	119,600,000	29.90%
Tam Guichu	Beneficial interest	21,000,000	5.25%

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 31 March 2023.

## **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 announcement.

## **AUDIT COMMITTEE**

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

Up to the date of approval of the Group's unaudited results for the three months ended 31 March 2023, the audit committee had held meeting and had reviewed the first quarter report and unaudited condensed consolidated financial statements for the three months ended 31 March 2023 prior to recommending such report and unaudited condensed consolidated financial statements to the Board for approval.

## **REMUNERATION COMMITTEE**

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

## **NOMINATION COMMITTEE**

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

By order of the Board  
**Lapco Holdings Limited**  
**Tam Yiu Shing, Billy**  
*Executive Director and Company Secretary*

Hong Kong, 12 May 2023

*As at the date of this announcement, the Board comprises one executive Director, namely Mr. Tam Yiu Shing, Billy; and three independent non-executive Directors, namely Mr. Mak Kwok Kei, Ms. Lam Kit Yan and Mr. Ho Kin Wai.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://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](http://www.lapco.com.hk).*

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