

Lap Kei Engineering (Holdings) Limited 立基工程（控股）有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1690

INTERIM REPORT

2023



INTERIM RESULTS

The board of directors (the “**Board**”) of Lap Kei Engineering (Holdings) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2023 (the “**Relevant Period**”), together with the corresponding comparative figures of 2022, as follows:

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

For the six months ended 30 June 2023

| | | Six months ended 30 June | |
|---|-------|-------------------------------------|-------------|
| | | 2023 | 2022 |
| | | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| | Notes | | |
| Revenue | 3 | 162,597 | 155,276 |
| Cost of sales | | (151,245) | (139,421) |
| Gross profit | | 11,352 | 15,855 |
| Other income | | 1,303 | 1,143 |
| Administrative expenses | | (9,580) | (9,497) |
| Finance costs | | (63) | – |
| Profit before taxation | 4 | 3,012 | 7,501 |
| Income tax expense | 5 | – | – |
| Profit and total comprehensive income for the period | | 3,012 | 7,501 |
| Earnings per share | | | |
| — Basic (HK cents) | 7 | 0.20 | 0.49 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

| | | As at 30 June 2023 HK\$'000 (Unaudited) | As at 31 December 2022 HK\$'000 (Audited) |
|--|-------|---|---|
| | Notes | | |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 11,806 | 10,154 |
| Deposit paid for a life insurance policy | | 1,218 | 1,209 |
| Intangible assets | 9 | 141 | 171 |
| Deferred tax assets | 5 | 3,544 | 3,544 |
| | | 16,709 | 15,078 |
| Current assets | | | |
| Trade and other receivables | 10 | 93,173 | 140,515 |
| Contract assets | | 98,288 | 116,379 |
| Pledged bank deposits | | 5,409 | 5,398 |
| Bank balances and cash | | 47,363 | 17,471 |
| | | 244,233 | 279,763 |
| Current liabilities | | | |
| Trade and other payables | 11 | 111,775 | 137,526 |
| Contract liabilities | | – | 1,160 |
| Bank borrowings | | – | 10,000 |
| | | 111,775 | 148,686 |
| Net current assets | | | |
| | | 132,458 | 131,077 |
| Total assets less current liabilities | | 149,167 | 146,155 |
| Net assets | | | |
| | | 149,167 | 146,155 |
| Capital and reserve | | | |
| Share capital | 12 | 15,300 | 15,300 |
| Reserves | | 133,867 | 130,855 |
| | | 149,167 | 146,155 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

| | Share capital HK\$'000 | Share premium HK\$'000 | Merger reserve HK\$'000 (note) | Retained earnings HK\$'000 | Total HK\$'000 |
|--|---------------------------|---------------------------|--------------------------------------|-------------------------------|-------------------|
| As at 1 January 2023 (audited) | 15,300 | 47,683 | 610 | 82,562 | 146,155 |
| Profit and total comprehensive income for the period | – | – | – | 3,012 | 3,012 |
| As at 30 June 2023 (unaudited) | 15,300 | 47,683 | 610 | 85,574 | 149,167 |
| As at 1 January 2022 (audited) | 15,300 | 47,683 | 610 | 71,064 | 134,657 |
| Profit and total comprehensive income for the period | – | – | – | 7,501 | 7,501 |
| As at 30 June 2022 (unaudited) | 15,300 | 47,683 | 610 | 78,565 | 142,158 |

note: Merger reserve represented the difference between the aggregated share capital of the relevant subsidiaries (which were transferred from Mr. Wong Kang Kwong (“**Mr. Wong**”) and Ms. So Nui Ho (“**Ms. So**”) to LKW Enterprise Limited (“**LKW Enterprise**”) pursuant to the reorganisation of the Group) and the newly issued share capital of LKW Enterprise.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

| | Six months ended 30 June | |
|--|-------------------------------------|-----------------|
| | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Net cash generated from (used in) operating activities | 42,413 | (11,230) |
| Net cash used in investing activities | (32,532) | (2,570) |
| Net cash used in financing activities | (10,063) | – |
| Net decrease in cash and cash equivalents | (182) | (13,800) |
| Cash and cash equivalents at the beginning of the period | 17,471 | 46,879 |
| Cash and cash equivalents at the end of the period, represented by cash at banks and on hand | 17,289 | 33,079 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. GENERAL INFORMATION

Lap Kei Engineering (Holdings) Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 29 April 2015 under the Companies Act Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its immediate and ultimate holding company is Golden Luck Limited (“**Golden Luck**”), which is a limited company incorporated in the British Virgin Islands. The address of the registered office is Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is Room 6, 6/F, Block B, Tonic Industrial Centre, 19 Lam Hing Street, Kowloon Bay, Hong Kong.

The principal activity of the Company is investment holding. The Group’s principal activities are the provision of engineering services for building services systems and maintenance and repair services in Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the Relevant Period (the “**Interim Financial Statements**”) have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 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 the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Interim Financial Statements have been prepared under the historical cost convention and are presented in Hong Kong dollars, which is the same as the functional currency of the Company. The Interim Financial Statements are unaudited, but have been reviewed by the audit committee of the Company.

The preparation of the Interim Financial Statements requires the Company’s management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of income and expenses. Actual results may differ from these estimates.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation in the Interim Financial Statements are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2022.

2. BASIS OF PREPARATION (CONTINUED)

Application of new and amendments to HKFRSs

The accounting policies applied in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following revised Hong Kong Financial Reporting Standards effective for the financial year ending 31 December 2023.

In the current period, the Group has adopted the following amendments to existing standards which are relevant to the Group's operations and are mandatory for accounting periods beginning on 1 January 2023:

| | |
|--|--|
| HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to HKAS 12 | International Tax Reform – Pillar Two Model Rules |

The adoption of these amendments to existing standards does not have a material impact to the Group's results of operations or financial position.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable for services rendered by the Group to outside customers, less discount. Information reported to the Company's Executive Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- | | | | |
|------|--|---|--|
| (i) | Building services engineering work | — | provision of building services engineering work including ventilation and air-conditioning system, electrical system, plumbing and drainage system, fire services system and other related works |
| (ii) | Maintenance, repair and other services | — | provision of maintenance and repair services for building services system and replacement of parts |

| | Six months ended 30 June | |
|--|--|--|
| | 2023 <i>HK\$'000</i> (Unaudited) | 2022 <i>HK\$'000</i> (Unaudited) |
| Building services engineering work | 154,433 | 146,078 |
| Maintenance, repair and other services | 8,164 | 9,198 |
| | 162,597 | 155,276 |

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

For the six months ended 30 June 2023

| | Building services engineering work <i>HK\$'000</i> | Maintenance, repair and other services <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|-------------------------|--|--|---------------------------------|
| Segment revenue | | | |
| External sales | 154,433 | 8,164 | 162,597 |
| Segment results | 9,483 | 1,869 | 11,352 |
| Other income | | | 1,303 |
| Administrative expenses | | | (9,580) |
| Finance cost | | | (63) |
| Profit before taxation | | | 3,012 |

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2022

| | Building services engineering work <i>HK\$'000</i> | Maintenance, repair and other services <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|-------------------------|--|---|--------------------------|
| Segment revenue | | | |
| External sales | 146,078 | 9,198 | 155,276 |
| Segment results | 13,333 | 2,522 | 15,855 |
| Other income | | | 1,143 |
| Administrative expenses | | | (9,497) |
| Profit before taxation | | | 7,501 |

4. PROFIT BEFORE TAXATION

| | Six months ended 30 June | |
|--|--|--|
| | 2023 <i>HK\$'000</i> (Unaudited) | 2022 <i>HK\$'000</i> (Unaudited) |
| Profit for the period has been arrived at after charging (crediting): | | |
| Directors' remuneration | 6,015 | 5,340 |
| Other staff costs: | | |
| Salaries and other allowances | 22,138 | 19,392 |
| Retirement benefit scheme contributions | 557 | 901 |
| Total staff costs | 28,710 | 25,633 |
| Auditor's remuneration | 421 | 448 |
| Amortisation on intangible assets | 30 | 29 |
| Depreciation of property, plant and equipment | 1,128 | 789 |
| Impairment loss reversed on trade receivables | (738) | (267) |
| Impairment loss (reversed)/recognised on contract assets | (219) | 601 |
| Bank interest income | (1) | (1) |

5. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|-----------------------|---------------------------------|---------------------------------|
| | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) |
| Hong Kong profits tax | – | – |

Hong Kong profits tax is calculated at 16.5% (six months ended 30 June 2022: 16.5%) of the estimated assessable profit of the Group for the period as stated above. No Hong Kong Profits Tax was provided for the Company's subsidiaries in Hong Kong for the Relevant Period as they have estimated tax losses brought forward to offset against the estimated assessable profits.

6. DIVIDEND

The Board resolved not to pay an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

7. EARNINGS PER SHARE

The calculations of basic earnings/(loss) per share for the six months ended 30 June 2022 and 2023 are based on the followings:

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) |
| Earnings: | | |
| Earnings for the purpose of calculating basic earnings per share | 3,012 | 7,501 |
| | '000 | '000 |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 1,530,000 | 1,530,000 |

No diluted earnings per share was presented as there was no potential ordinary shares in issue during the Relevant Period.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the Relevant Period, additions to property, plant and equipment amounted to approximately HK\$2,780,000 (six months ended 30 June 2022: HK\$2,278,000).

9. MOVEMENTS IN INTANGIBLE ASSETS

During the Relevant Period, amortisation on intangible assets amounted to approximately HK\$30,000 (six months ended 30 June 2022: HK\$29,000).

10. TRADE AND OTHER RECEIVABLES

| | As at | |
|---|--|--|
| | 30 June 2023 HK\$'000 (Unaudited) | 31 December 2022 HK\$'000 (Audited) |
| Trade receivables, net | 48,108 | 93,248 |
| Other receivables, deposits and prepayments | 45,065 | 47,267 |
| Total trade and other receivables | 93,173 | 140,515 |

The Group allows a credit period of 30 days to its customers for its trade receivables.

The following is an ageing analysis of trade receivables presented based on invoice dates at the end of each reporting period:

| | As at | |
|------------|--|--|
| | 30 June 2023 HK\$'000 (Unaudited) | 31 December 2022 HK\$'000 (Audited) |
| 0–30 days | 21,529 | 67,343 |
| 31–60 days | 18,303 | 13,076 |
| 61–90 days | 1,089 | 7,863 |
| > 90 days | 7,187 | 4,966 |
| | 48,108 | 93,248 |

11. TRADE AND OTHER PAYABLES

| | As at | |
|--------------------------------|--|--|
| | 30 June 2023 HK\$'000 (Unaudited) | 31 December 2022 HK\$'000 (Audited) |
| Trade payables | 42,910 | 58,833 |
| Other payables and accruals | 68,865 | 78,693 |
| Total trade and other payables | 111,775 | 137,526 |

The credit period on trade payables is 30 days.

11. TRADE AND OTHER PAYABLES (CONTINUED)

The following is an ageing analysis of trade payables presented based on the invoice dates at the end of each reporting period:

| | As at | |
|------------|--|--|
| | 30 June 2023 HK\$'000 (Unaudited) | 31 December 2022 HK\$'000 (Audited) |
| 0–30 days | 20,536 | 30,299 |
| 31–60 days | 7,721 | 9,240 |
| 61–90 days | 1,171 | 2,949 |
| > 90 days | 13,482 | 16,345 |
| | 42,910 | 58,833 |

12. SHARE CAPITAL

The share capital of the Company as at 31 December 2022 and 30 June 2023 is as follows:

| | Number of ordinary shares of HK\$0.01 each | Amount HK\$'000 |
|--------------------------------------|---|--------------------|
| Ordinary shares of HK\$0.01 each | | |
| Authorised: | | |
| At 31 December 2022 and 30 June 2023 | 4,000,000,000 | 40,000 |
| Issued and fully paid | | |
| At 31 December 2022 and 30 June 2023 | 1,530,000,000 | 15,300 |

13. RELATED PARTY DISCLOSURES

(i) Transactions

The Group entered into the following transactions with its related parties:

| Related parties | Nature of transactions | Six months ended 30 June | |
|--------------------------------------|------------------------|---------------------------------|---------------------------------|
| | | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) |
| LKW Company Limited <i>(note)</i> | Rental paid/payable | 265 | 265 |
| Mr. Wong and Ms. So | Rental paid/payable | 548 | 458 |

note: LKW Company Limited is wholly-owned by Mr. Wong and Ms. So.

(ii) Compensation of key management personnel

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) |
| Salaries and other allowances | 5,754 | 5,079 |
| Retirement benefit scheme contributions | 27 | 27 |
| | 5,781 | 5,106 |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the provision of engineering services for building services systems in Hong Kong. The Group undertakes building services engineering works which are mainly related to the supply, installation and maintenance of (i) mechanical ventilation and air-conditioning (“**MVAC**”) system; (ii) electrical system; (iii) plumbing and drainage system; and (iv) fire services system.

The contracts the Group entered into with its customers are categorised into two types, namely (i) building services engineering projects for existing buildings and new buildings (the “**Building Services Engineering Projects**”); and (ii) maintenance, repair and other services (the “**Maintenance Projects**”), which mainly include provision of maintenance and repair services for building services system and replacement of parts.

For Building Services Engineering Projects, the Group is required to complete the engineering works in relation to the installation and/or upgrade of building services systems as set out in the scope of work under the contract. For Maintenance Projects, the Group is required to provide maintenance services for existing building services systems of a property or portfolio of properties over a fixed contract period. Such maintenance services include regular check and maintenance, and emergency call-out service for emergency repair.

With the Group’s experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors. The Group will continue to pursue the following key business strategies: (i) further developing the Group’s Building Services Engineering Business by undertaking more projects of larger scale; (ii) further expanding the Group’s service scope by making application for additional licences, permits or qualifications which may be required; and (iii) further strengthening the Group’s engineering department through recruiting additional qualified and experienced staff.

FINANCIAL REVIEW

Revenue

The revenue increased from approximately HK\$155.3 million for the six months ended 30 June 2022 to approximately HK\$162.6 million for the six months ended 30 June 2023, representing an increase in approximately 4.7%. Such increase was mainly due to the Group's average contract sum increased compared to that of the corresponding period of last year.

Cost of Sales

The cost of sales increased from approximately HK\$139.4 million for the six months ended 30 June 2022 to approximately HK\$151.2 million for the six months ended 30 June 2023, representing an increase of approximately 8.5%. Such increase was mainly attributable to a few sizable projects awarded in previous year commenced work during the Relevant Period. Such increase in cost of sales was in proportion to the increase in revenue during the Relevant Period and as a result of an increase of material cost and labour cost during the Relevant Period.

Gross Profit

Gross profit of the Group was approximately HK\$11.4 million for the six months ended 30 June 2023, while gross profit of the Group was approximately HK\$15.9 million for the six months ended 30 June 2022. Gross profit has decreased by approximately 28.4% during the Relevant Period as compared to the corresponding period of previous year, because the Group entered into and commenced work on a few sizeable projects, which has a relatively lower profit margin compared to the corresponding period of previous year.

The overall gross profit margin was approximately 7.0% for the six months ended 30 June 2023, while gross profit margin of the Group was approximately 10.2% for the six months ended 30 June 2022. The decrease in the gross profit margin are mainly due to the increase of material cost and labour cost during the Relevant Period.

Administrative Expenses

Administrative expenses of the Group increased slightly by approximately 0.9% from approximately HK\$9.5 million for the six months ended 30 June 2022 to approximately HK\$9.6 million for the six months ended 30 June 2023. Administrative expenses primarily consist of rental expenses and staff costs. The increase was attributable to the increase in administrative staff salary and other administrative expenses during the Relevant Period.

Profit and Total Comprehensive Income

The Group continued to generate profit and total comprehensive income of approximately HK\$3.0 million of the six months ended 30 June 2023 compared to profit and total comprehensive income of approximately HK\$7.5 million for the six months ended 30 June 2022. Such decrease in the Group's result was primarily attributable to the increase in cost of sales by 8.5%, due to the higher material cost and salary expenses, which outweighed the increase in revenue by 4.7%, and the increase in other income during the Relevant Period, which was partly offset by the increase in administrative expenses for the Relevant Period. The net profit margin was approximately 1.9% for the Relevant Period, as compared to the net profit margin of approximately 4.8% for the six months ended 30 June 2022.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the Group had total assets of approximately HK\$260.9 million (31 December 2022: approximately HK\$294.8 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$111.8 million (31 December 2022: approximately HK\$148.7 million) and approximately HK\$149.1 million (31 December 2022: approximately HK\$146.1 million), respectively.

Current ratio as at 30 June 2023 was approximately 2.2 times (31 December 2022: approximately 1.9 times).

As at 30 June 2023, the Group has obtained performance bonds in respect of building services engineering contracts from banks amounting to approximately HK\$47.8 million (31 December 2022: approximately HK\$46.6 million) respectively. The bonds are secured by leasehold land and building of approximately HK\$5.2 million (31 December 2022: leasehold land and building of approximately HK\$5.4 million) and pledged bank deposits of approximately HK\$5.4 million (31 December 2022: approximately HK\$5.4 million) as disclosed in the paragraph headed "Pledge of Assets" in this report below.

GEARING RATIO

The gearing ratio of the Group as at 30 June 2023 was nil (31 December 2022: 6.8%), which is calculated by the total borrowings divided by total equity of the Group.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Relevant Period. Other than cash or bank deposits, the Group did not have other investments in securities or financial products for its treasury management purpose during the Relevant Period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

PLEDGE OF ASSETS

As at 30 June 2023, the Group pledged its bank deposits of approximately HK\$5.4 million (31 December 2022: HK\$5.4 million) and charge on property of approximately HK\$5.2 million (31 December 2022: HK\$5.4 million) located at Workshop No. B9 on 6/F of Block B, Tonic Industrial Centre, 19 Lam Hing Street, Kowloon Bay, Hong Kong to banks as collateral to secure bank facilities granted to the Group. The Group had unutilised facilities of HK\$95.9 million as of 30 June 2023 (31 December 2022: HK\$46.8 million).

Save for the above disclosed, the Group did not have any other charges on its assets as at 30 June 2023.

FOREIGN EXCHANGE EXPOSURE

All of the revenue-generating operations of the Group were transacted in Hong Kong Dollars, which is the presentation currency of the Group. For the six months ended 30 June 2023, there was no significant exposure to foreign exchange rate fluctuations and the Group did not engage in hedging against the foreign currency risk. The management will consider hedging significant currency exposure should such need arise. During the Relevant Period, the Group did not enter into any hedging instrument or contracts or entered into any currency borrowing transactions.

CAPITAL STRUCTURE

The share capital of the Group only comprises ordinary shares. As at 30 June 2023, the Company had 1,530,000,000 ordinary shares in issue and the Company's issued share capital was HK\$15,300,000. During the Relevant Period, there was no change in the capital structure of the Company.

CAPITAL COMMITMENTS

The Group did not have any significant capital commitments in respect of plant and equipment or investment property as at 30 June 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have other plans for material investments or capital assets as of 30 June 2023.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Relevant Period, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liabilities (31 December 2022: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group employed a total of 127 employees (31 December 2022: 139 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$28.7 million for the six months ended 30 June 2023 (for the six months ended 30 June 2022: approximately HK\$25.6 million).

The Group promotes individuals based on their qualification, performance and development potential in the positions held. In order to attract and retain high quality staff, competitive remuneration package is offered to employees (with reference to market norms and individual employees' performance, qualification and experience). Remuneration package would be reviewed on regular basis based on the performance of the individual employee. On top of basic salaries, bonuses may be paid with reference to the Group's performance as well as individual's performance. Other staff benefits include provision of retirement benefits, medical benefits and sponsorship of training courses. Share options may also be granted to eligible employees by reference to the Group's performance as well as individual contribution.

Among the retirement benefit, the Group made contributions to a Mandatory Provident Fund Scheme (the “**MPF Scheme**”) under the Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). The MPF Scheme is a defined contribution retirement plan administered by the independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employee’s relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contribution to the MPF Scheme vest immediately.

There was no forfeited contribution under the MPF Scheme or other retirement benefit scheme which may be used by the Group to reduce the contribution payables as at 30 June 2023 and no amount was utilised to reduce the existing level of contributions during the six months ended 30 June 2023.

SIGNIFICANT INVESTMENTS HELD

The Group did not hold any significant investments during the six months ended 30 June 2023.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the Listing, after deducting listing-related expenses, were approximately HK\$31.6 million. After the Listing and up to 31 December 2021, these proceeds were fully utilised for the purposes in accordance with the future plans and use of proceeds as set out in the prospectus of the Company dated 18 September 2015 (the “**Prospectus**”).

USE OF PROCEEDS FROM PLACING UNDER GENERAL MANDATE

The gross proceeds and the net proceeds (after deducting the placing fee and other related expenses incurred in the placing) from the placing, which was announced by the Company on 27 April 2021 (the “**Placing**”), were approximately HK\$12.2 million and approximately HK\$11.9 million, respectively. The Company had already fully applied all the net proceeds during the year ended 31 December 2022 according to the disclosure as set out in the announcement dated 27 April 2021.

DISCLOSURE OF INTERESTS

A. Directors' and Chief Executive's Interests and Short Positions in the Shares, the Underlying Shares or Debentures

As at 30 June 2023, the interests and short positions of the Directors and Chief Executive of the Company in the shares, the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (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 any such Director or Chief Executive was taken or deemed to have under such provision 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 the Model Code as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the Shares

| Name of Director | Capacity/ Nature of interest | Number of the Shares held/ interested in | Percentage of shareholding |
|------------------------------|--|--|-------------------------------|
| Mr. Wong | Interest in controlled corporation (note 1) | 653,000,000 | 42.68% |
| | Beneficial owner | 384,490,000 | 25.13% |
| | Interest of spouse (note 2) | 8,000,000 | 0.52% |
| Ms. So | Interest of spouse (note 3) | 1,037,490,000 | 67.81% |
| | Beneficial owner | 8,000,000 | 0.52% |
| Mr. Tang Chun Man Joseph | Beneficial owner | 160,000 | 0.01% |
| Mr. Lau Kwok Lok Geoffrey | Beneficial owner | 300,000 | 0.02% |

notes:

1. Mr. Wong beneficially owns 99% of the issued share capital of Golden Luck. By virtue of the SFO, Mr. Wong is deemed to be interested in the same number of the Shares held by Golden Luck.
2. Mr. Wong is the spouse of Ms. So. Under the SFO, Mr. Wong is deemed to be interested in the same number of the Shares in which Ms. So is interested.
3. Ms. So is the spouse of Mr. Wong. Under the SFO, Ms. So is deemed to be interested in the same number of the Shares in which Mr. Wong is interested.

(ii) *Long position in the ordinary shares of associated corporations*

| Name of Director | Name of associated corporation | Capacity/ Nature of interest | Number of the shares held/ interested in | Percentage of shareholding |
|-------------------------|---------------------------------------|---|---|-----------------------------------|
| Mr. Wong | Golden Luck | Beneficial owner | 99 | 99% |
| Ms. So | Golden Luck | Beneficial owner | 1 | 1% |

Save as disclosed above, as at 30 June 2023, none of the Directors nor Chief Executive of the Company has registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) 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 and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

B. Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares, Underlying Shares or Debentures

So far as the Directors are aware, as at 30 June 2023, the following persons (other than the Directors and Chief Executive of the Company) had or deemed or taken to have an interest or short position in the Shares or underlying Shares or debentures of the Company which were required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules.

| Name of shareholder | Capacity/ Nature of interest | Number of the Shares held/interested in | Long/short position | Percentage of shareholding |
|----------------------------|---|--|--------------------------------|---------------------------------------|
| Golden Luck | Beneficial owner | 653,000,000 | Long | 42.68% |

Save as disclosed above, as at 30 June 2023, no person, other than the Directors and Chief Executive of the Company whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in the Shares, the Underlying Shares or Debentures" above, had notified the Company of an interest or short position in the Shares, underlying Shares or debentures of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

COMPETING INTERESTS

During the Relevant Period, so far as the Directors are aware, none of the Directors or the controlling shareholders of the Company, neither themselves nor their respective close associates (as defined in the Listing Rules) had any business or interest that competes or may compete with the business of the Group, and the Directors are also not aware of any other conflict of interests which any such person has or may have with the Group.

DIRECTORS' MATERIAL INTEREST IN CONTRACTS

Save as disclosed in this report, no Director had any material interests in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Relevant Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

On 12 July 2023, the Company purchased a total of 280,000 shares on the Stock Exchange with an aggregate consideration (before transaction costs) of approximately HK\$16,800 by utilising the repurchase mandate given by the shareholders of the Company at the annual general meeting held on 11 May 2023 to better utilise the idle financial resources of the Company. The transaction costs, including brokerages, stamp duties and transaction levies, etc, involved in the repurchase amounted to less than HK\$1,000. As at the date of this report, all repurchased shares were yet to be cancelled but would be cancelled subsequently. Details of shares repurchased up to the date of this report are set out as follows:

| Month of repurchase | Number of shares repurchased on the Stock Exchange | Price paid per share | | Aggregate consideration paid (before transaction costs) (HK\$) |
|---------------------|--|----------------------|---------------|--|
| | | Highest (HK\$) | Lowest (HK\$) | |
| July 2023 | 280,000 | 0.06 | 0.06 | 16,800 |
| Total | 280,000 | | | 16,800 |

After the share repurchase and completion of shares cancellation as shown in the table above, the total number of issued shares would be reduced to 1,529,720,000 shares.

CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. During the Relevant Period, to the best knowledge of the Board, save as code provision C.2.1 of the CG Code as disclosed below, the Company has complied with the applicable code provisions of the CG Code.

Pursuant to the code provision C.2.1 of the CG Code, the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive should be clearly established.

During the Relevant Period and up to the date of this report, Mr. Wong Kang Kwong has been both the Chairman of the Company and the Chief Executive of the Company. The Board considers that, in view of the experience and expertise of Mr. Wong Kang Kwong, this structure could enhance efficiency in formulation and implementation of the Company's strategies, which is beneficial to the Group and shareholders as a whole. The Board will review the need of appointing suitable candidate to assume the role of Chief Executive when necessary.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of provisions of conduct regarding securities transactions by the Directors (the "**Code of Conduct**") on terms no less exacting than the required standards of dealings concerning securities transactions by the Directors as set out in the Model Code for securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all the Directors, all the Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the Relevant Period.

DIVIDEND

The Board resolved not to pay an interim dividend for the Relevant Period.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 10 September 2015 (the "**Scheme**") with reference to the provisions of Chapter 17 of the Listing Rules. For further details in relation to the Scheme, please refer to the paragraph headed "Share Option Scheme" in the directors' report of the annual report of the Company for the year ended 31 December 2022.

No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 30 June 2023.

Other than the Scheme, at no time during the six months ended 30 June 2023 and up to the date of this report was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EVENTS AFTER REPORTING PERIOD

There are no important events subsequent to the end of the Relevant Period and up to the date of the report which requires disclosure.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) on 10 September 2015 with its written terms of reference in compliance with paragraph D.3.3 of the CG Code. The primary duties of the Audit Committee are to review and monitor the financial reporting process and the internal control and risk management systems of the Group, nominate and monitor external auditors and to oversee the continuing connected transactions of the Company. The Audit Committee consists of three members, namely Mr. Chung Yuk Ming Christopher, Mr. Lau Kwok Lok, Geoffrey and Mr. Tam Chun Chung, all being independent non-Executive Directors. Mr. Tam Chun Chung currently serves as the chairman of the Audit Committee.

The unaudited condensed consolidated financial statements of the Group for the Relevant Period have not been reviewed or audited by the auditor of the Company but have been reviewed by the Audit Committee of the Company, which is of the opinion that the preparation of such statements complies with the applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

By Order of the Board
Lap Kei Engineering (Holdings) Limited
Wong Kang Kwong
Chairman and Executive Director

Hong Kong, 31 August 2023

As at the date of this report, the Executive Directors are Mr. Wong Kang Kwong, Ms. So Nui Ho and Mr. Tang Chun Man Joseph; and the independent non-Executive Directors are Mr. Chung Yuk Ming Christopher, Mr. Lau Kwok Lok, Geoffrey and Mr. Tam Chun Chung.