

LAPCO HOLDINGS LIMITED 立高控股有限公司

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



2023
THIRD QUARTERLY REPORT

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.

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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 three months and nine months ended 30 September 2023, together with the comparative unaudited figures of the corresponding period in 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Revenue	4	230,536	259,973	715,978	710,664
Cost of services		(216,386)	(247,563)	(675,045)	(674,776)
Gross profit		14,150	12,410	40,933	35,888
Other income		965	2,280	3,111	7,234
Other gains/(losses)		1	2,090	(28)	2,403
Administrative expenses		(9,243)	(8,979)	(26,950)	(24,848)
Finance costs		(1,120)	(1,092)	(3,297)	(3,347)
Profit before taxation	5	4,753	6,709	13,769	17,330
Income tax expense	6	(784)	(930)	(2,085)	(2,069)
Profit and other comprehensive income attributable to the owners of the Company for the period		3,969	5,779	11,684	15,261
Earnings per share	8				
Basic (HK cents)		16.5	28.9	53.8	76.3

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2023

	Attributable to owners of the Company				Total HK\$'000
	Issued share capital HK\$'000	Share Premium HK\$'000	Other reserve HK\$'000 (note 1)	Accumulated profits/ (losses) HK\$'000	
At 1 January 2022 (Audited)	4,000	31,362	11,051	12,570	58,983
Profit and total comprehensive income for the period (Unaudited)	-	-	-	15,261	15,261
At 30 September 2022 (Unaudited)	4,000	31,362	11,051	27,831	74,244
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)	-	-	-	11,684	11,684
At 30 September 2023 (Unaudited)	4,800	38,473	11,051	44,580	98,904

Note 1: 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.

Note 2: On 4 May 2023, the Company and a placing agent entered into a placing agreement (the “**Placing Agreement**”) pursuant to which the Company has conditionally agreed to place a maximum of 80,000,000 placing shares to independent investors at a price of HK\$0.1 per share (the “**Placing Price**”). The Placing Price represented (i) a premium of approximately 4.1% over the closing price of HK\$0.096 per share as quoted on the Stock Exchange on 4 May 2023, being the date of the Placing Agreement; and (ii) a premium of approximately 6.4% over the average closing price of HK\$0.0936 per share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement. The placing was completed on 5 June 2023 pursuant to which the Company has allotted and issued 80,000,000 placing shares. The net proceeds derived from the placing amounted to approximately HK\$7,910,000 and resulted in the increase in share capital of approximately HK\$800,000 and share premium of approximately HK\$7,110,000, net of transaction costs of approximately HK\$90,000. For further details of the placing, please refer to the announcements of the Company dated 4 May 2023 and 31 May 2023, respectively.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 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 No. 301A, 3rd 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 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 nine months ended 30 September 2022 are the same as those followed in the preparation of the consolidated financial statements for the year ended 31 December 2022.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 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.

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 nine months ended 30 September 2023

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 nine months ended</i>					
<i>30 September 2023 (Unaudited)</i>					
Segment revenue	615,144	18,706	81,635	493	715,978
Segment results	39,171	101	1,646	15	40,933
Other income					3,111
Other (losses) and gains					(28)
Administrative expenses					(26,950)
Finance costs					(3,297)
Profit before taxation					13,769

	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 nine months ended</i>					
<i>30 September 2022 (Unaudited)</i>					
Segment revenue	570,442	49,358	90,266	598	710,664
Segment results	35,072	1,695	(924)	45	35,888
Other income					7,234
Other (losses) and gains					2,403
Administrative expenses					(24,848)
Finance costs					(3,347)
Profit before taxation					17,330

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 and finance costs. 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 nine months ended 30 September 2023

5. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Auditor's remuneration	300	300	800	900
Directors' remuneration	474	863	1,498	2,770
Other staff costs				
– Salaries, bonuses and other benefits	177,893	203,158	558,283	544,567
– Retirement benefit scheme contributions	5,337	6,094	16,837	16,401
Total staff costs	183,704	210,115	576,618	563,738
Depreciation of right-of-use assets, plant and equipment	5,779	6,176	17,563	19,837

6. INCOME TAX EXPENSE

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Hong Kong Profits Tax				
– Current tax	784	930	2,085	2,069

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

7. DIVIDEND

No dividends were paid, declared or proposed during the nine months ended 30 September 2023 and 2022. The Directors of the Company do not recommend payment of interim dividend for the nine months ended 30 September 2023 (for the nine months ended 30 September 2022: Nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2023

8. EARNINGS PER SHARE

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

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Earnings for the period attributable to owners of the Company for the purpose of basic earnings per share	3,969	5,779	11,684	15,261

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2023 '000	2022 (Restated) '000	2023 '000	2022 (Restated) '000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	24,000	20,000	21,729	20,000

For the three months ended 30 September 2023 and nine months ended 30 September 2023, the weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the share placing in June 2023.

The weighted average number of ordinary shares used to calculate the basic and diluted earnings per share for both periods have been adjusted to reflect the share consolidation during the three months ended 30 September 2023 and nine months ended 30 September 2023. Accordingly, the basic profit per share for the three months ended 30 September 2022 and nine months ended 30 September 2022 are restated.

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

FINANCIAL REVIEW

The Group's revenue increased by approximately 0.7% from approximately HK\$710.7 million for the nine months ended 30 September 2022 to approximately HK\$716.0 million for the nine months ended 30 September 2023, primarily attributable to the commencement of certain new cleaning service contracts. During the nine months ended 30 September 2023 (the "**Reporting Period**"), the Group's gross profit increased by approximately 14.1% from approximately HK\$35.9 million for the nine months ended 30 September 2022 to approximately HK\$40.9 million for the Reporting Period. The Group's costs of services mainly comprise direct labour costs, vehicle expenses, consumables and direct overheads. The gross profit margins for the nine months ended 30 September 2022 and 2023 were approximately 5.0% and approximately 5.7%, respectively. The increase in the gross profit margins was mainly caused by the expiration of non-profitable contracts.

Other income decreased significantly by approximately 57.0% from approximately HK\$7.2 million for the nine months ended 30 September 2022 to approximately HK\$3.1 million for the Reporting Period. The decrease was mainly due to the contribution from the government subsidy decreased from approximately HK\$4.9 million for the nine months ended 30 September 2022 to approximately HK\$1.1 million for the Reporting Period.

The Group recorded other net losses of approximately HK\$28,000 for the nine months ended 30 September 2023 as compared to other net gains of approximately HK\$2.4 million for the corresponding period in 2022 mainly due to the gain on disposal of motor vehicles of approximately HK\$2.4 million for the nine months ended 30 September 2022.

Administrative expenses increased by approximately 8.5% from approximately HK\$24.8 million for the nine months ended 30 September 2022 to approximately HK\$27.0 million for the Reporting Period, mainly due to the increase in professional fee of approximately HK\$1.5 million, which mainly due to the one-off professional fee incurred on the issuance of exchangeable bond and issuance of new shares.

The Group's finance costs decreased by approximately 1.5% from approximately HK\$3.3 million for the nine months ended 30 September 2022 to approximately HK\$3.3 million for the Reporting Period. It mainly comprises interest expenses on lease liabilities for vehicles purchased and interest expenses on factoring of trade receivables.

The Group's net profit after taxation for the nine months 30 September 2023 decreased by approximately 23.4% to approximately HK\$11.7 million, as compared to approximately HK\$15.3 million for the corresponding period in 2022. It was mainly attributed to (1) other income from government subsidy decreased from approximately HK\$4.9 million for the nine months ended 30 September 2022 to approximately HK\$1.1 million for the Reporting Period; and (2) increase of administrative expense by approximately HK\$2.0 million for the Reporting Period.

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 Reporting Period 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Furthermore, we intend to build on our track record and capitalise 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.

Compliance with the Corporate Governance Code

The Company is committed to achieve high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance its corporate value. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules (the "**CG Code**"). During the nine months ended 30 September 2023, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code.

Competing Business

For the nine months ended 30 September 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.

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 nine months ended 30 September 2022 and 2023.

Issue of Exchangeable Bond and possible disposal of Shiny Glory

On 19 January 2023, the Company, Shiny Glory, an indirect wholly-owned subsidiary of the Company, and Mr. Tam Wai Tong, (the "**Subscriber**"), who was a director of certain subsidiaries (including Shiny Glory) of the Company as at the date of the Subscription Agreement, entered into the subscription agreement (the "**Subscription Agreement**"), pursuant to which, the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to issue the an exchangeable bond (the "**Exchangeable Bond**") 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 the loans in an aggregate principal amount of HK\$20,000,000 due from the Company to the Subscriber (the "**Existing Loans**") to the Subscriber upon completion of the Subscription.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, the issue of the Exchangeable Bond to the Subscriber will grant an exchange right (the “**Exchange Right**”) to the Subscriber to exchange the Exchangeable Bond into the 50,000 ordinary shares of Shiny Glory (the “**Exchange Share(s)**”), representing 100% of the existing issued share capital of Shiny Glory, at an initial exchange price of HK\$400 per Exchange Share (subject to the adjustments, if any) 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 (the “**Exchange Period**”), which will be deemed to be a disposal (the “**Disposal**”) of interest in Shiny Glory to the Subscriber under the GEM Listing Rules.

Pursuant to the terms of the Exchangeable Bond, if the net asset value of Shiny Glory as at the preceding calendar month end date at the time the holder of the Exchangeable Bond (the “**Bondholder**”) elects to exercise the Exchange Right is higher than 110% of the outstanding principal amount of the Exchangeable Bond, the Bondholder shall reimburse the Company the difference between such net asset value and 110% of the outstanding principal amount of the Exchangeable Bond in cash.

The Company may elect to redeem the Exchangeable Bond (in whole) then outstanding by paying to the Bondholder a redemption price equal to an aggregate of 100% of the outstanding principal amount of the Exchangeable Bond at any time from the Issue Date and up to the Maturity Date.

Completion of the Subscription took place on 17 February 2023 (“**Completion**”). Following Completion, the Company’s obligation to repay the Existing Loans to the Subscriber has been automatically and immediately set off in its entirety against the consideration for the issue of the Exchangeable Bond and Shiny Glory will remain as an indirect wholly-owned subsidiary of the Company, and its accounts will continue to be consolidated into the consolidated financial statements of the Group.

Should the Exchangeable Bond be exchanged by the Bondholder during the Exchange Period pursuant to the terms of the Exchangeable Bond, assuming there will not be any other change in the issued share capital of Shiny Glory, the Exchangeable Bond will cease to be the Group’s liability and the Company will cease to hold any shareholding interest in Shiny Glory and its accounts will no longer be consolidated into the consolidated financial statements of the Group.

The Subscriber is a connected person of the Company at the subsidiary level of the Company under Chapter 20 of the GEM Listing Rules and the Subscription constituted a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. In addition, the Disposal constituted a major and connected transaction under Chapter 19 and Chapter 20 of the GEM Listing Rules. For details of the Subscription, the terms of the Exchangeable Bond and the Disposal, please refer to the Company’s announcements dated 19 January 2023 and 17 February 2023, respectively and the circular of the Company dated 20 January 2023.

Share Consolidation

On 23 June 2023, the board of directors of 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**”). Further details of the Share Consolidation are disclosed in the Company’s announcement dated 23 June 2023. The Share Consolidation was approved by shareholders of the Company at an extraordinary general meeting of the Company held on 28 July 2023. The Share Consolidation was effective on 1 August 2023.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS IN SHARES

As at 30 September 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 30 September 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:

Name of Shareholder	Nature of interest	Number of ordinary shares	Approximate shareholding
Mr. Tam Wai Tong	Beneficial interest	5,980,000	24.92%
Fetar Investment Limited	Beneficial interest	2,806,500	11.69%

MANAGEMENT DISCUSSION AND ANALYSIS

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 September 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 5.46 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 15 to the Rules 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

Mr. Ho Kin Wai tendered his 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**”) on 12 May 2023.

Mr. Au Pak Lun Patrick (“**Mr. Au**”) and Mr. Wang Rong (“**Mr. Wang**”) were as executive Directors; and (ii) Ms. Wan Hoi Shan (“**Ms. Wan**”) was 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 12 May 2023.

Mr. Mak Kwok Kei (“**Mr. Mak**”) tendered his resignation as an authorised representative of the Company (“**Authorised Representative**”) on 12 May 2023 and Mr. Wang was appointed as an Authorised Representative. Mr. Wang, as an executive Director, is qualified to act as an Authorised Representative as required under Rule 5.24 of the GEM Listing Rules.

Mr. Au was appointed as the joint company secretary of the Company with effect from 12 May 2023. Mr. Au is qualified to act as the joint company secretary of the Company as required under Rule 5.14 of the GEM Listing Rules.

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, Ms. Lam Kit Yan (“**Ms. Lam**”) and Ms. Wan. Ms. Lam 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 nine months ended 30 September 2023, the audit committee had held meeting and had reviewed the draft third quarterly report and unaudited consolidated financial statements for the nine months ended 30 September 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 and Ms. Wan. Ms. Wan 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 Ms. Wan. 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 Joint Company Secretary

Hong Kong, 10 November 2023

As at the date of this report, the Board comprises three executive Directors, namely Mr. Tam Yiu Shing, Billy, Mr. Au Pak Lun, Patrick and Mr. Wang Rong and three independent non-executive Directors, namely Mr. Mak Kwok Kei, Ms. Lam Kit Yan and Ms. Wan Hoi Shan.

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.