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Lapco Holdings Limited

立高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8472)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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

For the year ended 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	3	948,683	966,288
Cost of services		<u>(890,662)</u>	<u>(918,454)</u>
Gross profit		58,021	47,834
Other income	4	3,805	10,492
Other gains and losses, net	4	(29)	3,544
Administrative expenses		(37,343)	(34,577)
Finance costs	5	<u>(5,864)</u>	<u>(4,507)</u>
Profit before taxation	6	18,590	22,786
Income tax expense	7	<u>(4,530)</u>	<u>(2,460)</u>
Profit and total comprehensive income for the year attributable to owners of the Company		<u>14,060</u>	<u>20,326</u>
			(restated)
Earnings per share			
– Basic (HK\$)	9	<u>0.38</u>	<u>0.61</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Plant and equipment		30,761	36,649
Right-of-use assets		40,942	41,498
Deposits and prepayment		14,008	12,556
Deposits for acquisition of plant and equipment		2,578	2,677
Deferred tax assets		481	–
		88,770	93,380
Current assets			
Trade receivables	<i>10</i>	126,503	163,806
Other receivables, deposits and prepayments		12,880	14,011
Tax recoverable		188	–
Pledged bank balances		29,700	29,700
Bank balances and cash		72,277	21,084
		241,548	228,601
Current liabilities			
Trade payables	<i>11</i>	12,263	14,187
Other payables		70,762	73,178
Provisions		30,297	20,973
Bank borrowings		34,674	58,508
Lease liabilities		11,382	12,118
Loan from a director of the Company's subsidiary		–	20,000
Exchangeable bond		20,000	–
Tax payable		321	1,759
		179,699	200,723
Net current assets		61,849	27,878
Total assets less current liabilities		150,619	121,258
Non-current liabilities			
Provisions		22,003	18,966
Deferred tax liabilities		5,038	718
Lease liabilities		22,299	22,265
		49,340	41,949
Net assets		101,279	79,309
Capital and reserves			
Issued share capital	<i>12</i>	4,800	4,000
Reserves		96,479	75,309
Equity attributable to owners of the Company		101,279	79,309

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Issued share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(note)</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2022	4,000	31,362	11,051	12,570	58,983
Profit and total comprehensive income for the year	—	—	—	20,326	20,326
At 31 December 2022	4,000	31,362	11,051	32,896	79,309
Placing of shares	800	7,200	—	—	8,000
Transaction costs attributable to placing of shares	—	(90)	—	—	(90)
Profit and total comprehensive income for the year	—	—	—	14,060	14,060
At 31 December 2023	4,800	38,472	11,051	46,956	101,279

Note: Other reserve represented (i) the difference between the share capital of Lapco Service Limited (“**Lapco Service**”), Shiny Glory Services Limited (“**Shiny Glory**”) and Shiny Hope Limited (“**Shiny Hope**”) and that of Sharp Idea Global Limited (“**Sharp Idea**”) issued pursuant to a group reorganisation completed in 2017 amounted to HK\$10,200,000; and (ii) the fair value adjustment on the non-current shareholder loans using the effective interest rate of 7.5% per annum in 2019 amounted to HK\$851,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Lapco Holdings Limited (the “**Company**”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 12 August 2016. The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 18 July 2017. The addresses of the Company’s registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Unit No. 301A, 3/F., Tower III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong respectively.

The Company is an investment holding company and its principal subsidiaries are engaged in provision of environmental hygiene services, including (a) cleaning services; (b) pest management services; (c) waste management and recycling services; and (d) landscaping services.

The functional currency of the Company is Hong Kong dollar (“**HK\$**”), which is the same as the presentation currency of the consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

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
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Impacts on application of Amendments to HKAS 8 “Definition of Accounting Estimates”

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”

The Group has applied the amendments for the first time in the current year. HKAS 1 “Presentation of Financial Statements” is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information. HKFRS Practice Statement 2 Making Materiality Judgements (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in this note.

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

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of the amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

Revenue

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

(i) Disaggregation of revenue from contracts with customers

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<i>Types of services</i>		
Cleaning services	816,330	786,807
Pest management services	24,111	62,381
Waste management and recycling services	101,381	116,278
Landscaping services	741	822
	<u>942,563</u>	<u>966,288</u>
<i>Types of customers</i>		
Government	830,197	850,502
Non-government	112,366	115,786
	<u>942,563</u>	<u>966,288</u>
<i>Timing of revenue recognition</i>		
Over time	<u>942,563</u>	<u>966,288</u>

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the consolidated statement of profit or loss and other comprehensive income.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cleaning services	816,330	786,807
Pest management services	24,111	62,381
Waste management and recycling services	101,381	116,278
Landscaping services	741	822
	<u>942,563</u>	<u>966,288</u>
Revenue from contracts with customers	942,563	966,288
Income from disposal of motor vehicles	4,093	–
Leases	2,027	–
	<u>948,683</u>	<u>966,288</u>
Total revenue	<u>948,683</u>	<u>966,288</u>

(ii) *Performance obligations for contracts with customers*

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

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) at 31 December 2023 and the expected timing of recognising revenue are as follows:

	Cleaning services <i>HK\$'000</i>	Pest management services <i>HK\$'000</i>	Waste management and recycling services <i>HK\$'000</i>	Landscaping services <i>HK\$'000</i>
Within one year	695,416	20,331	98,473	830
More than one year but not more than two years	694,398	4,294	91,346	138
More than two years	257,456	–	90,336	138
	<u>1,647,270</u>	<u>24,625</u>	<u>280,155</u>	<u>1,106</u>

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) at 31 December 2022 and the expected timing of recognising revenue are as follows:

	Cleaning services <i>HK\$'000</i>	Pest management services <i>HK\$'000</i>	Waste management and recycling services <i>HK\$'000</i>	Landscaping services <i>HK\$'000</i>
Within one year	638,350	21,675	94,416	830
More than one year but not more than two years	509,832	4,767	91,065	138
More than two years	73,501	–	162,108	–
	<u>1,221,683</u>	<u>26,442</u>	<u>347,589</u>	<u>968</u>

Segment information

Information reported to the chief operating decision maker (the “CODM”) for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. The Group’s operating and reportable segments are therefore as follows:

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

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

	Cleaning services <i>HK\$'000</i>	Pest management services <i>HK\$'000</i>	Waste management and recycling services <i>HK\$'000</i>	Landscaping services <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2023					
Segment revenue – external customers	<u>816,547</u>	<u>24,111</u>	<u>107,284</u>	<u>741</u>	<u>948,683</u>
Segment results	<u>53,031</u>	<u>384</u>	<u>4,566</u>	<u>40</u>	<u>58,021</u>
Other income					3,805
Other gains and losses, net					(29)
Administrative expenses					(37,343)
Finance costs					<u>(5,864)</u>
Profit before taxation					<u>18,590</u>
For the year ended 31 December 2022					
Segment revenue – external customers	<u>786,807</u>	<u>62,381</u>	<u>116,278</u>	<u>822</u>	<u>966,288</u>
Segment results	<u>46,637</u>	<u>617</u>	<u>564</u>	<u>16</u>	47,834
Other income					10,492
Other gains and losses, net					3,544
Administrative expenses					(34,577)
Finance costs					<u>(4,507)</u>
Profit before taxation					<u>22,786</u>

There was no inter-segment revenue for both years.

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

Segment assets and liabilities

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

	Cleaning services <i>HK\$'000</i>	Pest management services <i>HK\$'000</i>	Waste management and recycling services <i>HK\$'000</i>	Landscaping services <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2023					
Segment assets	138,425	5,404	64,201	218	208,248
Certain plant and equipment					816
Certain right-of-use assets					5,728
Certain other receivables, deposits and prepayments					12,880
Pledged bank balances					29,700
Bank balances and cash					72,277
Tax recoverable					188
Deferred tax assets					481
Total assets					<u>330,318</u>
Segment liabilities	107,283	3,168	14,096	97	124,644
Certain other payables					10,681
Bank borrowings					34,674
Exchangeable bond					20,000
Tax payable					321
Lease liabilities					33,681
Deferred tax liabilities					5,038
Total liabilities					<u>229,039</u>
At 31 December 2022					
Segment assets	172,937	7,982	74,422	208	255,549
Certain plant and equipment					291
Certain right-of-use assets					1,347
Certain other receivables, deposits and prepayments					14,010
Pledged bank balances					29,700
Bank balances and cash					21,084
Total assets					<u>321,981</u>
Segment liabilities	95,730	7,590	15,738	100	119,158
Certain other payables					8,146
Bank borrowings					58,508
Loan from a director of the Company's subsidiary					20,000
Tax payable					1,759
Lease liabilities					34,383
Deferred tax liabilities					718
Total liabilities					<u>242,672</u>

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

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

Other segment information

	Cleaning services HK\$'000	Pest management services HK\$'000	Waste management and recycling services HK\$'000	Landscaping services HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Total HK\$'000
For the year ended 31 December 2023							
Deposits paid for acquisition of plant and equipment	-	-	1,815	-	1,815	763	2,578
Additions to plant and equipment	-	-	3,199	-	3,199	677	3,876
Additions to right-of-use assets	1,736	-	6,745	-	8,481	5,601	14,082
Depreciation of plant and equipment	3,387	105	7,947	-	11,439	218	11,657
Depreciation of right-of-use assets	3,035	32	7,732	-	10,799	1,230	12,029
Gain (loss) on disposal of plant and equipment, net	-	-	4,093	-	4,093	(28)	4,065
For the year ended 31 December 2022							
Deposits paid for acquisition of plant and equipment	-	-	2,677	-	2,677	-	2,677
Additions to plant and equipment	2,166	-	22,227	-	24,393	173	24,566
Additions to right-of-use assets	9,438	-	18,680	-	28,118	504	28,622
Depreciation of plant and equipment	3,456	262	9,193	-	12,911	90	13,001
Depreciation of right-of-use assets	4,409	984	6,352	-	11,745	1,151	12,896
Gain on disposal of plant and equipment, net	472	3	3,074	-	3,549	-	3,549

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of services provided and the Group's plant and equipment amounting to HK\$30,761,000 (2022: HK\$36,649,000), right-of-use assets amounting to HK\$40,942,000 (2022: HK\$41,498,000) and other non-current assets excluded financial instruments amounting to HK\$2,578,000 (2022: HK\$2,677,000) at 31 December 2023 are all located in Hong Kong by physical location of assets.

Information about major customer

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

	2023 HK\$'000	2022 HK\$'000
Customer A ¹	811,146	809,958

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

4. OTHER INCOME/OTHER GAINS AND LOSSES, NET

Other income

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Rental income	–	1,443
Bank interest income	2,229	98
Sundry income	443	1,731
Government grants (<i>note</i>)	1,133	7,220
	<u>3,805</u>	<u>10,492</u>

Note: During the year ended 31 December 2023, the Group recognised government grants of HK\$1,133,000 (2022: HK\$7,220,000), of which Nil (2022: HK\$4,216,000) related to Employment Support Scheme provided by the Hong Kong government, HK\$1,133,000 (2022: HK\$1,561,000) related to subsidy of phasing out diesel commercial vehicles and Nil (2022: HK\$1,443,000) related to an administration fee on anti-epidemic fund for cleaning workers.

Other gains and losses, net

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss) gain on disposal of plant and equipment, net	(28)	3,549
Net foreign exchange losses	(1)	(5)
	<u>(29)</u>	<u>3,544</u>

5. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interests on:		
Bank borrowings	4,342	3,011
Lease liabilities	1,522	1,496
	<u>5,864</u>	<u>4,507</u>

6. PROFIT BEFORE TAXATION

	2023 HK\$'000	2022 HK\$'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration		
Audit service	750	1,000
Other services	325	540
	<u>1,075</u>	<u>1,540</u>
Depreciation of plant and equipment	11,657	13,001
Depreciation of right-of-use assets	12,029	12,896
Directors' and chief executive's remuneration (note 8)	5,930	5,091
Other staff costs		
Salaries, bonuses and other benefits	708,906	744,394
Retirement benefits scheme contributions	42,953	22,429
Total staff costs	<u>757,789</u>	<u>771,914</u>

7. INCOME TAX EXPENSE

	2023 HK\$'000	2022 HK\$'000
Hong Kong Profits Tax:		
– Current tax	1,440	2,443
– (Over) underprovision in previous years	(749)	17
Deferred tax charge	3,839	–
	<u>4,530</u>	<u>2,460</u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million for current year. Hong Kong Profits Tax was calculated at 16.5% on the estimated assessable profit for prior year.

The income tax expense can be reconciled to the profit before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	2023 HK\$'000	2022 HK\$'000
Profit before taxation	<u>18,590</u>	<u>22,786</u>
Tax at Hong Kong Profits Tax rate of 16.5%	3,067	3,760
Tax effect of income not taxable for tax purpose	(481)	(938)
Tax effect of expenses not deductible for tax purpose	934	673
(Over) underprovision in previous years	(749)	17
Utilisation of tax losses not recognised	(442)	(709)
Tax effect of tax losses not recognised	146	–
Tax effect on two-tiered tax rate	(165)	(165)
Others	2,220	(178)
	<u>4,530</u>	<u>2,460</u>
Income tax expense for the year	<u>4,530</u>	<u>2,460</u>

8. DIVIDEND

No dividends were paid, declared and proposed by the Company during the year ended 31 December 2023 (2022: Nil).

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

9. EARNINGS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>14,060</u>	<u>20,326</u>
	2023	2022 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>37,408,749</u>	<u>33,548,387</u>

The weighted average number of ordinary shares for the years ended 31 December 2023 and 2022 for the purpose of calculating the basic earnings per share, had been adjusted to account for (i) the effect of share consolidation; (ii) the effect of the bonus element of the rights issue of the Company which was completed on 1 March 2024 (“**Rights Issue**”).

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

10. TRADE RECEIVABLES

At 1 January 2022, trade receivables from contracts with customers amounted to HK\$119,815,000.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Government customers	93,976	134,896
Non-government customers	<u>32,527</u>	<u>28,910</u>
	<u>126,503</u>	<u>163,806</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–30 days	77,670	83,661
31–60 days	32,740	68,959
61–90 days	13,091	7,019
91–180 days	2,839	3,837
Over 180 days	163	330
	126,503	163,806

At 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$3,002,000 (2022: HK\$4,167,000) which are past due at the reporting date. Out of the past due balances, HK\$2,839,000 (2022: HK\$3,837,000) has been past due 1-90 days and is not considered as in default as the Group has good understanding on the financial position of the counterparties and with satisfactory settlement history. The remaining balance of HK\$163,000 (2022: HK\$330,000) has been past due over 90 days, the directors of the Company do not consider these receivables as credit-impaired as these customers have good business relationships with the Group and recurring overdue records of these customers were supported by satisfactory settlement history. The Group does not hold any collateral over these balances.

At 31 December 2023, carrying amount of trade receivables amounted to HK\$126,067,000 (2022: HK\$163,806,000) have been pledged as security for the Group's bank borrowings.

Transfer of financial assets

The followings were the Group's trade receivables at 31 December 2023 and 2022 that were transferred to banks by factoring trade receivables on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the trade receivables and has recognised the cash received on the transfer as secured bank borrowings (see note 22). These financial assets were carried at amortised cost in the Group's consolidated statement of financial position.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Carrying amount of transferred assets	34,673	62,031
Carrying amount of associated liabilities	(18,291)	(37,396)
Net position	16,382	24,635

11. TRADE PAYABLES

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–30 days	5,397	7,687
31–60 days	5,366	4,509
61–90 days	1,337	1,507
Over 90 days	163	484
	<u>12,263</u>	<u>14,187</u>

12. ISSUED SHARE CAPITAL

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

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2022 and 31 December 2022	10,000,000,000	100,000
Share consolidation (<i>note (ii)</i>)	<u>(9,500,000,000)</u>	<u>–</u>
	<u>500,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 January 2022 and 31 December 2022	400,000,000	4,000
Placing of shares (<i>note (i)</i>)	80,000,000	800
Share consolidation (<i>note (ii)</i>)	<u>(456,000,000)</u>	<u>–</u>
At 31 December 2023	<u>24,000,000</u>	<u>4,800</u>

Notes:

- (i) On 4 May 2023, the Company entered into a placing agreement with a placing agent for placing a maximum of 80,000,000 ordinary shares (the “**Placing Shares**”) of the Company at a placing price of HK\$0.1 per Placing Share. On 5 June 2023, 80,000,000 Placing Shares were placed at a subscription price of HK\$0.1 per Placing Share. The shares issued rank pari passu with other shares in issue in all aspects.
- (ii) Pursuant to an ordinary resolution passed by shareholders at the extraordinary general meeting held on 28 July 2023, the share consolidation of every twenty issued and unissued shares of HK\$0.01 each into one consolidated share of HK\$0.2 each became effective on 1 August 2023.

On 1 March 2024, the Company completed the Rights Issue and raised approximately HK\$43.2 million. Further details of the Rights Issue were set out in the circular and listing document of the Company dated 22 December 2023 and 31 January 2024 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

We are an established and one-stop environmental service provider based in Hong Kong. Our environmental hygiene services cover four types, namely (a) cleaning services; (b) pest management services; (c) waste management and recycling services; and (d) landscaping services. We provide our environmental hygiene services to a wide range of venues including streets, cultural, leisure and recreational premises, residential premises, commercial buildings, markets, restaurants and academic institutions etc. Our major customers during the year ended 31 December 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 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 specialised 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 responsive to the impact of the epidemic on the Group's operation and financial position, and will fully support the continuant anti-epidemic work in Hong Kong on an on-going basis and to contribute to the society by the Group's professional services. Although the environment in the future is still full of challenges and uncertainties, with the increasing public awareness of environmental hygiene and health as well as the escalating demand for services in response to the long-term anti-epidemic efforts, we are optimistic and confident about the future of the environmental hygiene service industry.

Financial Results

Revenue of the Group decreased by approximately 1.8% from approximately HK\$966.3 million for the year ended 31 December 2022 to approximately HK\$948.7 million for the Reporting Period. The Group, recorded an decrease in the cost of services by approximately 3.0% to approximately HK\$890.7 million (2022: approximately HK\$918.5 million) and an increase of approximately 21.3% in gross profit to approximately HK\$58.0 million (2022: approximately HK\$47.8 million). Gross profit margin also increased by approximately 1.1% to 6.1% (2022: decreased approximately 0.8% to 5.0%). Due to no receipt of the Employment Support Scheme and other income from administration fee received for processing the anti-epidemic fund for cleaning workers for the Reporting Period, as well as the increase in administrative expenses, the Group recorded a profit attributable to equity shareholders of the Company (the “**Shareholders**”) for the year ended 31 December 2023 which amounted to approximately HK\$14.1 million (as compared to a profit of approximately HK\$20.3 million for the corresponding period in 2022).

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: nil).

HUMAN RESOURCES

As at 31 December 2023, the Group employed 3,279 employees, including both full time and part time (31 December 2022: 3,853). Remuneration packages are generally structured by reference to market terms, individual qualifications and experience.

During the Reporting Period, various training activities, such as training on operational safety, administrative and management skills, were conducted to improve the quality of front-end services, office support and management. In addition, employees are also encouraged, subsidised and sponsored to attend job-related seminars and courses organised by professional and/or educational institution to ensure the smooth and effective management of the Group's business.

FINANCIAL REVIEW

Revenue

The Group's revenue for the years ended 31 December 2023 and 2022 were approximately HK\$948.7 million and HK\$966.3 million, respectively, representing an decrease of approximately 1.8%. The decrease was mainly driven by the expiration of contracts during the Reporting Period in our service segment of pest management services.

The following table sets forth our revenue by business segments during the years ended 31 December 2023 and 2022:

	For the year ended 31 December			
	2023		2022	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Cleaning services	816,547	86.1	786,807	81.4
Pest management services	24,111	2.5	62,381	6.5
Waste management and recycling services	107,284	11.3	116,278	12.0
Landscaping services	741	0.1	822	0.1
Total	948,683	100.0	966,288	100.0

The revenue from cleaning services increased by approximately 3.8% for the year ended 31 December 2023 as comparing with that of the previous year as certain cleaning services contracts were awarded during the year. The revenue from pest management services decreased by approximately 61.3% for the Reporting Period as compared to the previous year as certain pest management services contracts expired during the year. The revenue from waste management and recycling services decreased by approximately 7.7% for the Reporting Period as compared to the previous year as certain waste management and recycling services contracts were awarded during the year.

More details of the Group's performance for the Reporting Period by business segments are set out in note 5 to the consolidated financial statements.

Cost of Services

For the years ended 31 December 2023 and 2022, the cost of services of the Group amounted to approximately HK\$890.7 million and HK\$918.5 million respectively, representing approximately 93.9% and 95.0% of the Group's revenue for the corresponding years. Our cost of services mainly consists of direct labour costs, vehicle expenses, consumables, and direct overheads. The decrease in cost of services was mainly caused by the decrease in direct labour costs, petrol expenses and motor vehicles expenses attributable to the new tender contracts awarded.

Gross Profit

The Group's gross profit for the Reporting Period was approximately HK\$58.0 million, representing an increase of approximately 21.3% from approximately HK\$47.8 million for the year ended 31 December 2022. The increase was mainly caused by the increase of revenue.

Gross Profit Margin

The gross profit margins of the Group for the years ended 31 December 2023 and 2022 were approximately 6.1% and 5.0% respectively.

Other income

The Group's other income for the years ended 31 December 2023 and 2022 were approximately HK\$3.8 million and HK\$10.5 million respectively. The significant decrease was mainly due to the Group recognised government grants of HK\$5.6 million in respect of COVID-19-related subsidies for the Reporting Period, out of which HK\$4.2 million relates to the Employment Support Scheme provided by the Hong Kong government and HK\$1.4 million relates to an administration fee on anti-epidemic fund for cleaning workers in 2022 and no such income in 2023. HK\$1.1 million relates to the government subsidy of phasing out diesel commercial vehicles was recorded for the Reporting Period as compared to HK\$1.6 million for the year ended 31 December 2022.

Administrative Expenses

The administrative expenses incurred by the Group for the years ended 31 December 2023 and 2022 were approximately HK\$37.3 million and HK\$34.6 million respectively, representing an increase of approximately 7.8%, and approximately 3.9% and 3.6% of the respective year's total revenue. The increase was mainly due to the increase in legal and professional fee related to exchangeable bond of approximately HK\$1.0 million, related to share consolidation of approximately HK\$0.4 million and related to rights issue of approximately of HK\$0.2 million for the year ended 31 December 2023.

Finance Costs

The finance costs of the Group amounted to approximately HK\$5.9 million and HK\$4.5 million for the years ended 31 December 2023 and 2022 respectively, representing approximately 0.6% and approximately 0.5% of the Group's revenue in the respective years.

Profit Attributable to Owners of The Company

As a result of the foregoing, the profit attributable to the Shareholders for the Reporting Period amounted to approximately HK\$14.1 million as compared to the approximately HK\$20.3 million for the year ended 31 December 2022.

FOREIGN CURRENCY EXPOSURE

The Group's foreign currency exposure is limited as most of its transactions, assets and liabilities are denominated in Hong Kong dollars. There were no foreign currency investments hedged by foreign currency borrowings and other hedging instruments during the Reporting Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2023, total bank and other borrowings of the Group amounted to approximately HK\$54.7 million (2022: approximately HK\$78.5 million) which represented the secured and guaranteed bank borrowings including loans from factoring of trade receivables with full recourse, unsecured and unguaranteed other borrowings, exchangeable bond and unsecured and unguaranteed loan from a director of the Company's subsidiaries. As at 31 December 2023, the cash and cash equivalents and pledged bank balances of the Group amounted to approximately HK\$101.9 million (2022: approximately HK\$50.8 million). As at 31 December 2023, the Group is in net cash position, while the debt to equity ratio of the Group was approximately 76.5% as at 31 December 2022. Debt to equity ratio is calculated by dividing the net debt, which is defined to include bank borrowings and lease liabilities net of pledged bank balances and bank balances and cash, by total equity at the end of the respective years. Current ratio as at 31 December 2023 was approximately 1.3 time (2022: approximately 1.1 time).

The Group maintained sufficient working capital as at 31 December 2023 with bank balances and cash of approximately HK\$72.3 million (2022: approximately HK\$21.1 million). The Board of Directors will continue to follow a prudent treasury policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business.

As at 31 December 2023, the Group's net current assets amounted to approximately HK\$61.8 million (2022: approximately HK\$27.9 million). The Group's operations are financed principally by operating cashflow generated from its business operation, available cash and bank balances, bank and other borrowings and lease liabilities.

CONTINGENT LIABILITIES

As at 31 December 2023, performance guarantee of approximately HK\$154,494,000 (2022: HK\$165,153,000) and HK\$6,885,448 (2022: 3,362,000) was given by bank and insurance companies respectively in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to its customers to whom performance guarantee have been given, such customers may demand the banks to pay the sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance guarantee will be released upon completion of the service contracts.

USE OF PROCEEDS

Use of Proceeds from Initial Public Offer

The net proceeds from the issue of new shares of the Company through the Public Offer of an aggregate of 10,000,000 Public Offer Shares and the placing of 90,000,000 ordinary shares of HK\$0.01 each in the share capital of the Company at the price of HK\$0.50 per share, after deducting the underwriting commission and listing expenses borne by our Group and excluding the net proceeds of the Sale Shares, were approximately HK\$18.7 million (“**Actual Proceeds**”), as compared to the estimated net proceeds of approximately HK\$20.8 million as disclosed in the prospectus dated 30 June 2017 of the Company (the “**Prospectus**”), there was a shortage of approximately HK\$2.1 million mainly due to the additional listing expenses at final payment. Accordingly, the Group has adjusted the use of proceeds on a pro-rata basis. The utilization of net proceeds as at 31 December 2023 is set out below:

Summary of use of proceeds

Use of net proceeds	Total planned amount to be used	Actual amount utilised up to 31 December 2022	Actual amount utilised during the year ended 31 December 2023	Actual amount utilised up to 31 December 2023	Unutilised balance as at 31 December 2023	Expected
						Net Proceeds as at 31 December 2023
	HK\$' million	HK\$' million	HK\$' million	HK\$' million	HK\$' million	
Procure additional vehicles	9.0	9.0	–	9.0	–	
Procure additional equipment	0.9	0.9	–	0.9	–	
Hire additional staff	1.4	1.4	–	1.4	–	
Enhance information technology application system to enhance operational efficiency	2.7	1.5	0.9	2.4	0.3	On or before 31 December 2024
Repay a bank loan	2.9	2.9	–	2.9	–	
General working capital	1.8	1.8	–	1.8	–	
Total	18.7	17.5	0.9	18.4	0.3	

The Directors will constantly evaluate the Group’s business objectives and will change or modify the plans against the changing market condition to suit the business growth of the Group.

Use of Proceeds from Placing

On 4 May 2023, the Company and a placing agent entered into a 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 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. The utilisation of the placing net proceeds as at 31 December 2023 is set out below:

Use of placing net proceeds	Amount of placing net proceeds <i>HK\$ million</i>	Placing net proceeds utilised during the period ended 31 December 2023 <i>HK\$ million</i>	Unutilised placing net proceeds as at 31 December 2023 <i>HK\$ million</i>	Expected timeline for utilising the remaining placing net proceeds
Acquisition of additional vehicles	5.54	5.54	–	
General working capital for business operation and general administrative and operating expenses	2.37	2.37	–	
Total	<u>7.91</u>	<u>7.91</u>	<u>–</u>	

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2023, the amount of lease liabilities within one year was approximately HK\$11.4 million (31 December 2022: HK\$12.1 million), and after one year but within five years was approximately HK\$22.3 million (31 December 2022: HK\$22.3 million).

As at 31 December 2023, we had approximately HK\$54.7 million (31 December 2022: HK\$78.5 million) of secured bank borrowings and exchangeable bond. Such loans were primarily used in financing the working capital requirement of our operations.

In addition, we have (i) pledged bank balances of approximately HK\$29.7 million as at 31 December 2023 (31 December 2022: HK\$29.7 million), (ii) pledged trade receivables of approximately HK\$126.5 million as at 31 December 2023 (31 December 2022: HK\$163.8 million) and (iii) pledged motor vehicles of approximately HK\$35.2 million (31 December 2022: HK\$40.2 million).

As at 31 December 2023, the gearing ratio of the Group was approximately 0.9 times (2022: 1.4 times), which was calculated based on the total interest-bearing bank borrowings, non-interest bearing loan from a director of the Company's subsidiaries, exchangeable bond and lease liabilities over total equity of the Group.

Save as mentioned above in this section, we did not have any outstanding mortgages or charges, borrowings or indebtedness including bank overdrafts, loans or debentures, loan capital, debt securities or other similar indebtedness, finance lease or hire purchase.

ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT HELD

During the Reporting Period, the Group did not make any material acquisition, disposal nor significant investment.

CORPORATE GOVERNANCE PRACTICES

The corporate governance practices of the Group are based on the principles and the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 15 to the GEM Listing Rules.

During the year ended 31 December 2023, the Company has complied with all the applicable code provisions of the Code.

APPOINTMENT, RE-ELECTION AND RETIREMENT OF THE DIRECTORS

In accordance with article 84 of the Articles, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years.

Pursuant to article 84 of the Articles, Mr. Au Pak Lun, Patrick and Mr. Mak Kwok Kei will retire from office as Directors at the forthcoming AGM, and being eligible, will offer themselves for re-election.

Mr. Tam Yiu Shing, Billy, being an executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from 25 January 2019 and continuing thereafter until terminated by either party by giving not less than one month's prior written notice to the other.

Mr. Au Pak Lun, Patrick, being an executive Director, has entered into a service agreement with the Company for an initial fixed term of one year commencing from 12 May 2023 unless terminated by at least seven-days' notice in writing served by either party on the other and is subject to retirement and re-election in accordance with the Articles.

Mr. Wang Rong, being an executive Director, has entered into a service agreement with the Company for an initial fixed term of one year commencing from 12 May 2023 unless terminated by at least seven-days' notice in writing served by either party on the other and is subject to retirement and re-election in accordance with the Articles.

Each of Mr. Mak Kwok Kei and Ms. Lam Kit Yan, being independent non-executive Directors, has entered into a service agreement with the Company for a term of three years commencing from 24 June 2017 which has been renewed for a further term of three years and may be terminated by either party by giving not less than one month's prior written notice to the other.

Ms. Wan Hoi Shan, being an independent non-executive Director, has entered into a service agreement with the Company for an initial fixed term of one year commencing from 12 May 2023 unless terminated by at least seven-days' notice in writing served by either party on the other and is subject to retirement and re-election in accordance with the Articles.

None of the Directors (including those proposed for re-election at the AGM) has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules, as the code of conduct for securities transactions by the Directors in respect of the shares of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by directors during the Reporting Period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

PERMITTED INDEMNITY PROVISION AND INSURANCE

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2023, none of the Directors and chief executive of the Company had any interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: nil).

ANNUAL GENERAL MEETING ("AGM")

The forthcoming AGM will be held on Tuesday, 7 May 2024. A notice convening the AGM will be published in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 2 May 2024 to Tuesday, 7 May 2024, both days inclusive, during which period no transfer of Shares will be registered. For determining the entitlement of members of the Company to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, Hong Kong, no later than 4:30 p.m. on Tuesday, 30 April 2024.

AUDIT COMMITTEE

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

During the Reporting Period and up to the date of this announcement, the Audit Committee had reviewed the final results of the Group for the year ended 31 December 2022, the first quarterly results (and related quarterly report) of the Group for the three months ended 31 March 2023, the interim results (and interim report) of the Group for the six months ended 30 June 2023 and the third quarterly results (and related quarterly report) of the Group for the nine months ended 30 September 2023. The Group's final results for the Reporting Period had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee is of the view that the annual results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board of Directors on 26 March 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

Hong Kong, 26 March 2024

As at the date of this announcement, 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 announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no matters the omission of which would make any statement in this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and on the Company’s website at www.lapco.com.hk.

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