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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1690)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Lap Kei Engineering (Holdings) Limited (the "**Company**") is pleased to announce the audited combined financial information of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017 together with the comparative figures for the corresponding year ended 31 December 2016. The financial information has been approved by the Board.

SUMMARY

	For the year ended 31 December		
	2017	2016	
	HK$'000	*HK$'000*	Change %
Revenue	**282,651**	235,487	20.0%
Gross profit	**51,344**	44,647	15.0%
Profit attributable to owners of the Company	**27,274**	26,964	1.1%
Earnings per share *(HK cents)*	**2.13**	2.11	

- The Group's revenue amounted to approximately HK$282.7 million for the year ended 31 December 2017, representing an increase of approximately HK$47.2 million in approximately 20.0% as compared with the year ended 31 December 2016.
- The profit attributable to owners of the Company is approximately HK$27.3 million for the year ended 31 December 2017, representing an increase of approximately HK$0.3 million or 1.1% as compared with the year ended 31 December 2016.
- Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of HK0.78 cents per ordinary share, in an aggregate amount of HK$9,984,000 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** **HK$'000**	2016 *HK$'000*
Revenue	*2*	**282,651**	235,487
Cost of sales		**(231,307)**	(190,840)
Gross profit		**51,344**	44,647
Other income		**95**	466
Administrative expenses		**(15,082)**	(12,663)
Other expenses		**(1,440)**	–
Other loss		**(1,270)**	–
Finance costs		**(275)**	(196)
Profit before taxation		**33,372**	32,254
Income tax expense	*5*	**(6,098)**	(5,290)
Profit and total comprehensive income for the year	*3*	**27,274**	26,964
Earnings per share			
Basic (HK cents)	*6*	**2.13**	2.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	**2017** HK$'000	2016 HK$'000
Non-current assets			
Plant and equipment		**465**	1,035
Deposit paid for a life insurance policy		**1,132**	1,120
		1,597	2,155
Current assets			
Inventories — raw materials and consumables		**–**	29
Amounts due from customers for contract work	*7*	**62,812**	24,919
Trade and other receivables	*8*	**84,556**	110,608
Pledged bank deposits		**15,804**	26,456
Bank balances and cash		**32,443**	7,059
		195,615	169,071
Current liabilities			
Amounts due to customers for contract work	*7*	**1,363**	2,382
Trade, bill and other payables	*9*	**61,274**	55,459
Amount due to a related party		**45**	2
Tax payable		**1,033**	3,920
Bank borrowings	*10*	**2,136**	–
		65,851	61,763
Net current assets		**129,764**	107,308
Net assets		**131,361**	109,463
Capital and reserves			
Share capital		**12,800**	12,800
Reserves		**118,561**	96,663
		131,361	109,463

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 "Disclosure Initiative"

The Group has applied these amendments in the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

2. REVENUE AND SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "**CODM**"), being the executive Directors, in order for the CODM to allocate resources and to assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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

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

The Group's CODM makes decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presented as the Group's CODM does not regularly review such information for the purpose of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Segment revenue and results

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

For the year ended 31 December 2017

	Building services engineering work *HK$'000*	**Maintenance, repair and other services** *HK$'000*	**Total** *HK$'000*
Segment revenue			
External sales	**269,148**	**13,503**	**282,651**
Segment results	**45,160**	**6,184**	**51,344**
Other income			**95**
Administrative expenses			**(15,082)**
Other expenses			**(1,440)**
Other loss			**(1,270)**
Finance costs			**(275)**
Profit before taxation			**33,372**

For the year ended 31 December 2016

	Building services engineering work *HK$'000*	Maintenance, repair and other services *HK$'000*	Total *HK$'000*
Segment revenue			
External sales	220,600	14,887	235,487
Segment results	38,934	5,713	44,647
Other income			466
Administrative expenses			(12,663)
Finance costs			(196)
Profit before taxation			32,254

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results mainly represented gross profit earned by each segment.

Geographical information

The Group's revenue is solely generated from, and non-current assets are located in, Hong Kong, based on the location of the relevant entities' operation.

No single customer in respect of building services engineering work nor maintenance, repair and other services contributed 10% or more to the Group's revenue for each of the years ended 31 December 2017 and 2016.

3. PROFIT FOR THE YEAR

	2017 *HK$'000*	2016 *HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Director's remuneration	**3,224**	3,922
Other staff costs:		
Salaries and other allowances	**30,781**	27,255
Retirement benefit scheme contributions	**1,377**	1,220
Total staff costs	**35,382**	32,397
Auditor's remuneration	**1,030**	980
Depreciation of plant and equipment	**570**	570
Impairment loss of trade receivables (included in other loss)	**1,270**	–
Write-down of inventories	**29**	–
Bank interest income	**(46)**	(37)
Interest income on a deposit paid for a life insurance policy	**(12)**	(2)

Note: Legal and professional fee amounted to approximately HK$1,440,000 was incurred in the transfer of the Company's shares from listing on GEM to Main Board in current year and was included in the "other expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

4. DIVIDEND

During the year ended 31 December 2017, a 2016 final dividend for ordinary shareholders of the Company of HK$5,376,000 (approximately of HK0.42 per share) was recognised as distribution.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of HK0.78 cents (2016: HK0.42 cents) per ordinary share, in an aggregate amount of HK$9,984,000 (2016: HK$5,376,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

5. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
— Current year	**6,122**	5,316
Overprovision in prior years:		
— Hong Kong	**(24)**	(26)
	6,098	5,290

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during both years.

6. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31 December 2017 is based on the profit for the year of approximately HK$27,274,000 (2016: HK$26,964,000) and the number of ordinary shares in issue during the year ended 31 December 2017 of approximately 1,280,000,000 (2016: 1,280,000,000). No diluted earnings per share is presented for both years as there was no potential ordinary share outstanding.

7. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2017	2016
	HK$'000	*HK$'000*
Contracts in progress at the end of the reporting period:		
Contract costs incurred to date	**414,266**	269,136
Add: Recognised profits less recognised losses	**135,773**	86,386
	550,039	355,522
Less: Progress billings	**(488,590)**	(332,985)
	61,449	22,537
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**62,812**	24,919
Amounts due to customers for contract work	**(1,363)**	(2,382)
	61,449	22,537

As at 31 December 2017, retention receivables held by customers for contract work amounted to HK$29,672,000 (2016: HK$17,058,000) as set out in note 8. Advances received from customers at 31 December 2017 were HK$556,000 (2016: HK$6,437,000).

8. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables (inclusive of factored debts amounting HK$2,136,000 as at 31 December 2017)	**48,411**	87,395
Less: allowance for doubtful debts	**(1,270)**	–
	47,141	87,395
Retention receivables *(Note)*	**29,672**	17,058
Other receivables, deposits and prepayments	**7,743**	6,155
Total trade and other receivables	**84,556**	110,608

Note: Retention receivables are unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, ranging from 1 to 2 years from the date of the completion of the respective project.

The retention receivables are to be settled, based on the expiry of the defect liability period, at the end of each reporting period:

	2017	2016
	HK$'000	*HK$'000*
On demand or within one year	**18,206**	10,662
After one year	**11,466**	6,396
	29,672	17,058

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

The following is an aging analysis of trade receivables (net of allowance for doubtful debts) presented based on invoice dates at the end of each reporting period:

	2017	2016
	HK$'000	*HK$'000*
0–30 days	**14,290**	61,227
31–60 days	**2,196**	13,180
61–90 days	**13,560**	1,171
> 90 days	**17,095**	11,817
	47,141	87,395

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of HK$32,851,000 (2016: HK$26,168,000), which were past due at the end of the reporting period for which the Group has not provided for impairment loss because management is of the opinion that the fundamental credit quality of these customers has not deteriorated considering credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of these trade receivables. The Group does not hold any collateral over these balances. The average age of these receivables is 141 days (2016: 31 days).

9. TRADE, BILLS AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**44,540**	30,206
Bills payable	**6,303**	–
Retention payables *(Note)*	**–**	164
Accruals	**9,875**	18,652
Receipt in advance	**556**	6,437
Total trade, bills and other payables	**61,274**	55,459

Note: Retention payables are interest-free and payable at the end of the defect liability period of individual contracts, ranging from 1 to 2 years from the completion date of the respective project.

The credit period on trade and bills payables range from 30 days to 52 days.

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

	2017	2016
	HK$'000	*HK$'000*
0–30 days	**24,815**	18,506
31–60 days	**21,175**	9,275
61–90 days	**523**	1,138
> 90 days	**4,330**	1,287
	50,843	30,206

The retention payables are to be settled within one year, based on the expiry of defect liability period, at the end of each reporting period.

10. BANK BORROWINGS

	2017	2016
	HK$'000	*HK$'000*
Advance drawn on bills receivables discounted with recourse repayable within one year — secured:		
Variable rate	**2,136**	–

The Group's variable rate bank borrowings as at 31 December 2017 were denominated in HK$ and carried interest at Hong Kong Prime Rate minus 2%. The bank borrowings were secured by trade receivables in connection with invoice discounting bank loan arrangements at 31 December 2017.

At 31 December 2017, the Group had obtained bank facilities of HK$96,038,000 (2016: HK$34,283,000) which are secured by fixed deposits amounting to HK$15,804,000 (2016: HK$26,456,000) held by the Group.

11. OPERATING LEASE COMMITMENTS

The Group as lessee has made minimum lease payments of HK$1,066,000 (2016: HK$1,000,000) under operating leases during the year ended 31 December 2017 in respect of warehouses and office premises.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases with LKW Company Limited, a wholly-owned subsidiary of Golden Luck Limited, and Mr. Wong Kang Kwong ("**Mr. Wong**") and Ms. So Nui Ho ("**Ms. So**"), in respect of warehouses and office premises which fall due as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**1,062**	1,066
In the second to fifth year inclusive	**980**	93
	2,042	1,159

Leases are negotiated for an average term of 2 years and rentals are fixed for an average of 2 years.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

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

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

Looking forward, the Directors consider that the future opportunities and challenges facing the Group will continue to be affected by the development of the property market in Hong Kong as well as factors affecting the labour costs and material costs. The Directors are of the view that the number of properties to be built and maintained in Hong Kong remains to be the key driver for the growth of the Hong Kong building services industry.

On 12 February 2018, the Company was successful transferred the listing of its shares from GEM to the Main Board of the Stock of Exchange (the "**Transfer of Listing**"). The Transfer of Listing greatly promoted the Group's brand in Hong Kong as well as provided the Group with a readily accessible capital platform for the Group's future business development.

FINANCIAL REVIEW

Revenue

Our revenue increased from approximately HK$235.5 million for the year ended 31 December 2016 to approximately HK$282.7 million for the year ended 31 December 2017 (the "**Year**"), representing a growth of approximately 20.0%. Such increase was mainly due to increase in provision of building services engineering projects which contributed a significant revenue for the year end 31 December 2017 as a result of the overall development in the construction industry in Hong Kong.

Cost of Sales

Our cost of sales increased from approximately HK$190.8 million for the year ended 31 December 2016 to approximately HK$231.3 million for the year ended 31 December 2017, representing an increase of approximately 21.2%. Such increase was mainly attributable to the increase in our subcontracting charges and material costs which were in line with an increase in revenue during the year.

Gross Profit

Gross profit of the Group increased by approximately 15.0% from approximately HK$44.6 million for the year ended 31 December 2016 to approximately HK$51.3 million for the year ended 31 December 2017. The increase was mainly driven by the increase in revenue for the year ended 31 December 2017 as discussed above.

The overall gross profit margin slightly decreased from approximately 19.0% for the year ended 31 December 2016 to approximately 18.2% for the year ended 31 December 2017 as the extent of increase in subcontracting charges and direct labour costs is greater than that of the increase in revenue for the year ended 31 December 2017.

Other Expenses

Other expenses represented non-recurring listing expenses of approximately HK$1.44 million recognised as expenses by the Group in connection with the Transfer of Listing for the year ended 31 December 2017.

Administrative Expenses

Administrative expenses of the Group increased by approximately 18.9% from approximately HK$12.7 million for the year ended 31 December 2016 to approximately HK$15.1 million for the year ended 31 December 2017. Administrative expenses primarily consist of rental expenses and staff costs. The increase was attributable to an increase in staff cost by approximately HK$2 million due to a one-off discretionary bonus paid to staff for their contribution for the year ended 31 December 2017.

Income Tax Expense

Income tax expense for the Group increased by approximately 15.1% from approximately HK$5.3 million for the year ended 31 December 2016 to approximately HK$6.1 million for the year ended 31 December 2017. The increase was mainly due to the increase in profit before tax, excluding the effect of non-deductible expenses, e.g. the listing expenses and non-chargeable other income items.

Profit and Total Comprehensive Income for the Year Attributable to Owners of the Company

Profit and total comprehensive income for the Year slightly increased by approximately 1.1% from approximately HK$27.0 million for the year ended 31 December 2016 to approximately HK$27.3 million for the year ended 31 December 2017. Such increase was primarily attributable to the effect of the increase in revenue and gross profit for the year ended 31 December 2017; offset with the fact that one-off listing expenses was recognised for the year ended 31 December 2017; and the increase in administrative expenses for the year ended 31 December 2017.

Liquidity and Financial Resources

As at 31 December 2017, the Group had total assets of approximately HK$197.2 million (2016: approximately HK$171.2 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$65.9 million (2016: approximately HK$61.8 million) and approximately HK$131.4 million (2016: approximately HK$109.5 million), respectively.

The total interest-bearing loans and borrowings (interest-bearing bank borrowings and bank overdrafts) of the Group as at 31 December 2017 were approximately HK$2.1 million (31 December 2016: nil), and current ratio as at 31 December 2017 was approximately 3.0 times (31 December 2016: approximately 2.7 times).

The Group's borrowings and bank balances are denominated in Hong Kong dollars and there was no significant exposure to foreign exchange rate fluctuations during the Year.

Gearing Ratio

The gearing ratio of the Group as at 31 December 2017 was approximately 1.6% (31 December 2016: nil).

The gearing ratio is calculated based on the total loans and borrowings (interest-bearing bank borrowings and bank overdrafts) divided by total equity as at the respective reporting date.

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Year. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Pledge of Assets

As at 31 December 2017, the Group pledged its bank deposits of approximately HK$15.8 million (2016: HK$26.5 million) to banks as collateral to secure bank facilities granted to the Group.

Save for the above disclosed, the Group did not have any charges on its assets.

Foreign Exchange Exposure

All of the revenue-generating operations and borrowings of the Group were transacted in Hong Kong Dollars which is the presentation currency of the Group. For the year ended 31 December 2017, there was no significant exposure to foreign exchange rate fluctuations and the Group has not maintained any hedging policy against foreign currency risk. The management will consider hedging significant currency exposure should the need arise.

Capital Structure

The shares of the Company were successfully listed on GEM on 25 September 2015 and transferred to the Main Board of the Stock Exchange on 12 February 2018. There has been no change in the capital structure of the Group for the year ended 31 December 2017. The share capital of the Group only comprises of ordinary shares.

As at 31 December 2017, the Company's issued share capital was HK$12,800,000 and the number of its issued ordinary shares was 1,280,000,000 of HK$0.01 each.

Commitments

The operating lease commitments of the Group were primarily related to the leases of its office premises and the warehouses. The Group's operating lease commitments amounted to approximately HK$2.0 million as at 31 December 2017 (31 December 2016: approximately HK$1.2 million).

Segmental Information

Segmental information is presented for the Group as disclosed on note 2 to this announcement.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the prospectus of the Company dated 18 September 2015 (the "**Prospectus**") and this announcement, the Group did not have any plans for material investments or capital assets as of 31 December 2017.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the financial year ended 31 December 2017, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

Contingent Liabilities

As at 31 December 2017, the Group did not have any material contingent liabilities (31 December 2016: Nil).

Employees and Remuneration Policies

As at 31 December 2017, the Group employed a total of 100 employees (31 December 2016: 110 employees). The staff costs, including Directors' emoluments of the Group were approximately HK$36.2 million for the year ended 31 December 2017 (2016: approximately HK$32.4 million).

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

Significant Investments Held

The Group did not hold any significant investments during the year ended 31 December 2017.

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the 25 September 2015 to 31 December 2017 is set out below:

Business objectives	**Actual business progress up to 31 December 2017**
Further development of the Group's building services engineering business	The Group is in the progress of identifying suitable business opportunities with potential customers and the Group has also committed to undertaking new construction projects. A deposit of HK$22.6 million was required and has been paid up to 31 December 2017 (which was financed as to approximately HK$16.5 million by the proceeds from the listing on GEM (the "**Listing**") on 25 September 2015 and as to the remaining approximately HK$6.1 million by the Group's internal resources).

Business objectives	Actual business progress up to 31 December 2017
Further expansion of service scope	The Group has used approximately HK$0.8 million for recruiting staff with relevant experiences and during the Year, the Group is in the progress of preparing the application to the Works Branch of Development Bureau for the registration of approved contractor on the air-conditioning installation category (Group II) of the Specialist List. Subsequent to the end of the Year, the Group's application made to the Works Branch of Development Bureau for the registration of approved contractor on the air-conditioning installation category (Group II) of the Specialist List has been approved. An increase of HK$4.1 million in the paid-up share capital of Lap Kei Engineering Company Limited from HK$600,000 to HK$4.7 million, as one of the minimum requirements for registration, was made in 20 December 2017, before the approval of the aforesaid application by the Works Branch of Development Bureau.
Further strengthening the Group's engineering department	The Group has sponsored its engineering staff to attend technical seminars and occupational health and safety courses organised by third parties. The Group has used approximately HK$4.2 million for adding 10 headcount of middle to senior level engineering staff to cope with its business development and has paid additional staff costs for retaining such additional employees during the Year. The Group regularly reviews the need for further recruitments to cope with its business development.

Use of Proceeds

The net proceeds from the Listing, after deducting listing-related expenses, were approximately HK$31.6 million. After the Listing, a part of these proceeds have been applied for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus.

An analysis of the utilisation of the net proceeds from the Listing as at 31 December 2017 is set out below:

	Planned use of net proceeds as stated in the Prospectus up to 31 December 2017	**Actual use of net proceeds up to 31 December 2017**
	HK$'000	*HK$'000*
Further development of the Group's building services engineering business	16,500	16,500
Further expansion of service scope	8,500	759
Further strengthening the Group's engineering department	6,600	4,237

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

The unused net proceeds from the Listing of approximately HK$10.1 million remained as general working capital of the Group.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective close associates (as defined in the Rules Governing the Listing of Security on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**")) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 December 2017.

CORPORATE GOVERNANCE CODE

The Directors and the management of the Group recognise the importance of sound corporate governance to the long-term success and continuing development of the Group. Therefore, the Board is committed to upholding good corporate standards and procedures, so as to improve the accountability system and transparency of the Group, protect the interests and create value for shareholders of the Company.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules (for the period before 12 February 2018 where the Company's shares were listed on GEM) and Appendix 14 to the Listing Rules (for the period commencing on 12 February 2018 where the Company's shares were transferred from GEM to the Main Board). During the year ended 31 December 2017, to the best knowledge of the Board, the Company has complied with the applicable code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules (for the period before 12 February 2018 where the Company's shares were listed on GEM) and the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Following specific enquiry by the Company, the Directors and the Company were not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the year ended 31 December 2017.

Further information on the corporate governance practices of the Company will be set out in 2017 annual report of the Company, which will be sent to the shareholders of the Company in April 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DIVIDEND

Subsequent to the end of reporting period, the Board proposes the payment of a final dividend of HK0.78 cents per share of the Company for the year ended 31 December 2017 to the shareholders of the Company whose names are on the register of members of the Company and is subject to the approval by the shareholders at the forthcoming annual general meeting of the Company to be held on Monday, 14 May 2018 and compliance with the laws of the Cayman Islands and other relevant rules and regulations.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with its written terms of reference in compliance with the Listing Rules, in accordance with provisions set out in the CG Code which are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are, among other things, to review and monitor the financial reporting process and the internal control and risk management systems of the Group, nominate and monitor external auditor and to monitor the integrity of the Company's financial statements, annual reports and accounts. The Audit Committee consists of three members, namely Mr. Chung Yuk Ming, Christopher, Mr. Fok Ka Chi and Mr. Tam Chun Chung, all being independent non-executive Directors of the Company. Mr. Tam Chun Chung currently serves as the chairman of the Audit Committee.

The Audit Committee has reviewed with the management and the Company's auditor the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the audited financial statements for the Year.

ANNUAL GENERAL MEETING

The annual general meeting ("**AGM**") of the Company will be held on Monday, 14 May 2018, the notice of which shall be sent to the shareholders of the Company in accordance with the articles of association of the Company, the Listing Rules and other applicable laws and regulations.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Wednesday, 9 May 2018 to Monday, 14 May 2018, both days inclusive, during which period no transfer of the shares of the Company will be registered. Shareholder of the Company are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 8 May 2018.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the AGM. The record date for entitlement to the proposed final dividend is Wednesday, 30 May 2018. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 29 May 2018 to Wednesday, 30 May 2018, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all share transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at its address set out above for registration not later than 4:30 p.m. on Monday, 28 May 2018. The payment of final dividend will be made on or about 11 June 2018.

EVENTS AFTER THE REPORTING PERIOD

On 12 February 2018, the Company transferred the listing of its shares from GEM to the Main Board of the Stock Exchange.

Saved as disclosed above, there were no significant events after the reporting period of the Group.

APPRECIATION

The Board would like to extend its sincere thanks to our shareholders, business partners and customers for their utmost support to the Group. We would also like to take this opportunity to thank all management members and staff for their hard work and dedication throughout the Year.

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

Hong Kong, 29 March 2018

As at the date of this announcement, the executive Directors are Mr. Wong Kang Kwong, Ms. So Nui Ho and Mr. Wong Chi Kei; and the independent non-executive Directors are Mr. Chung Yuk Ming Christopher, Mr. Fok Ka Chi and Mr. Tam Chun Chung.

This announcement will remain on the website of the Stock Exchange at www.hkex.com.hk 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.lapkeieng.com.