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Lap Kei Engineering (Holdings) Limited

立基工程(控股)有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1690)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

INTERIM RESULTS

The board of directors (the “**Board**”) of Lap Kei Engineering (Holdings) Limited (the “**Company**”), together with its subsidiaries (collectively the “**Group**”), is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2019 (the “**Relevant Period**”), together with the corresponding comparative figures of 2018, as follows:

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

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
		HK\$'000	HK\$'000
	Notes	(Unaudited)	(Unaudited)
Revenue	3	89,872	149,451
Cost of sales		(98,504)	(120,948)
Gross (loss) profit		(8,632)	28,503
Other income		836	603
Administrative expenses		(9,297)	(8,807)
Finance costs		(93)	(180)
(Loss) profit before taxation	4	(17,186)	20,119
Income tax expense	5	–	(3,354)
(Loss) profit and total comprehensive (loss) income for the period		(17,186)	16,765
(Loss) earnings per share			
— Basic (HK cents)	7	(1.33)	1.31

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
	Notes		
Non-current assets			
Property, plant and equipment		1,918	1,218
Investment property	8	6,223	–
Deposit paid for a life insurance policy		1,145	1,145
		<u>9,286</u>	<u>2,363</u>
Current assets			
Contract assets		91,807	130,725
Trade and other receivables	9	42,450	46,183
Amount due from a related party		–	8
Tax recoverable		2,666	2,666
Pledged bank deposits		7,297	13,473
Bank balances and cash		37,707	28,269
		<u>181,927</u>	<u>221,324</u>
Current liabilities			
Contract liabilities		1,859	2,165
Trade and other payables	10	57,562	73,079
Bank borrowings	11	3,221	10,151
		<u>62,642</u>	<u>85,395</u>
Net current assets		<u>119,285</u>	<u>135,929</u>
Total assets less current liabilities		128,571	138,292
Non-current liabilities			
Deferred tax liabilities		199	199
Net assets		<u>128,372</u>	<u>138,093</u>
Capital and reserve			
Share capital	12	13,300	12,800
Reserves		115,072	125,293
		<u>128,372</u>	<u>138,093</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i> <i>(note)</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2019 (audited)	12,800	30,855	610	93,828	138,093
Issuance of shares (<i>Note 12(e)</i>)	500	7,250	–	–	7,750
Expenses incurred in connection with issue of new shares	–	(285)	–	–	(285)
Loss and total comprehensive loss for the period	–	–	–	(17,186)	(17,186)
As at 30 June 2019 (unaudited)	<u>13,300</u>	<u>37,820</u>	<u>610</u>	<u>76,642</u>	<u>128,372</u>
As at 1 January 2018 (audited)	12,800	30,855	610	87,096	131,361
Impact on initial application of HKFRS 9	–	–	–	(1,101)	(1,101)
Adjusted balance at 1 January 2018	12,800	30,855	610	85,995	130,260
Profit and total comprehensive income for the period	–	–	–	16,765	16,765
Dividend paid (<i>Note 6</i>)	–	–	–	(9,984)	(9,984)
As at 30 June 2018 (unaudited)	<u>12,800</u>	<u>30,855</u>	<u>610</u>	<u>92,776</u>	<u>137,041</u>

Note: Merger reserve represented the difference between the aggregated share capital of the relevant subsidiaries (which were transferred from Mr. Wong Kang Kwong (“**Mr. Wong**”) and Ms. So Nui Ho (“**Ms. So**”) to LKW Enterprise Limited (“**LKW Enterprise**”) pursuant to the Reorganisation, as set out in Note 1) and the newly issued share capital of LKW Enterprise.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2019*

	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash generated from (used in) operating activities	<u>9,975</u>	<u>(6,000)</u>
Net cash used in investing activities	<u>(979)</u>	<u>(590)</u>
Net cash generated from financing activities	<u>442</u>	<u>6,518</u>
Net increase (decrease) in cash and cash equivalents	<u>9,438</u>	<u>(72)</u>
Cash and cash equivalents at the beginning of the period	<u>28,269</u>	<u>32,443</u>
Cash and cash equivalents at the end of the period, represented by cash at banks and on hand	<u><u>37,707</u></u>	<u><u>32,371</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 April 2015. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The headquarters and principal place of business of the Company in Hong Kong is located at Room 6, 6/F, Block B, Tonic Industrial Centre, 19 Lam Hing Street, Kowloon Bay, Hong Kong.

The Company's issued ordinary shares of HK\$0.01 each have been listed and traded on GEM since 25 September 2015.

Pursuant to the reorganisation of the Group (the "**Reorganisation**") in connection with the listing of the shares of the Company (the "**Shares**") on GEM (the "**Listing**"), the Company became the holding company of the companies comprising the Group on 18 May 2015. Details of the Reorganisation are set out in the prospectus of the Company dated 18 September 2015 (the "**Prospectus**") under the section headed "History, Reorganisation and Corporate Structure".

The Company transferred the listing of its shares from GEM to the Main Board of the Stock Exchange with effect from 12 February 2018.

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the Relevant Period (the "**Interim Financial Statements**") have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of the Listing Rules. The Interim Financial Statements have been prepared under the historical cost convention and are presented in Hong Kong dollars ("**HK\$**"), which is the same as the functional currency of the Company. The Interim Financial Statements are unaudited, but have been reviewed by the audit committee of the Company.

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation in the Interim Financial Statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below for HKFRS 16, the adoption of above new and revised standards had no significant financial effect on the unaudited condensed consolidated financial statements.

HKFRS 16 “Leases”

HKFRS 16 supersedes HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application presented as an adjustment against the opening retained earnings, if any. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases under HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. The Group also elected to use the recognition exemption for lease contracts that, at the date of initial application, have a remaining lease term of 12 months or less and do not contain a purchase option and lease contracts for which the underlying asset is of low value.

Based on the management's assessment, the adoption of HKFRS 16 did not have significant impact on the Group's financial position nor on the financial performance. Accordingly, no adjustment has been made to the accumulated profit as at 1 January 2019.

No adjustments would be made on the unaudited consolidated financial statements of the Group for six months ended 30 June 2019 without the application of HKFRS 16.

3. REVENUE AND SEGMENT INFORMATION

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

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

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Building services engineering work	80,891	143,167
Maintenance, repair and other services	8,981	6,284
	89,872	149,451

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

For the six months ended 30 June 2019

	Building services engineering work HK\$'000	Maintenance, repair and other services HK\$'000	Total HK\$'000
Segment revenue			
External sales	80,891	8,981	89,872
Segment results	(9,703)	1,071	(8,632)
Other income			836
Administrative expenses			(9,297)
Finance costs			(93)
Loss before taxation			(17,186)

For the six months ended 30 June 2018

	Building services engineering work HK\$'000	Maintenance, repair and other services HK\$'000	Total HK\$'000
Segment revenue			
External sales	143,167	6,284	149,451
Segment results	27,819	684	28,503
Other income			603
Administrative expenses			(8,807)
Finance costs			(180)
Profit before taxation			20,119

4. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Directors' remuneration	1,794	1,743
Other staff costs:		
Salaries and other allowances	17,280	17,748
Retirement benefit scheme contributions	415	677
Total staff costs	19,489	20,168
Auditor's remuneration	400	549
Depreciation of property, plant and equipment	263	305
Bank interest income	(31)	(21)

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong profits tax	–	3,354

Hong Kong profits tax is calculated at 16.5% (six months ended 30 June 2018: 16.5%) of the estimated assessable profit of the Group for the period as stated above.

6. DIVIDEND

The Board resolved not to pay an interim dividend for the six months ended 30 June 2019.

During the six months ended 30 June 2018, a final dividend in respect of the year ended 31 December 2017 of HK\$9,984,000 (HK0.78 cents per Share) has been paid and recognised as distribution by the Company.

7. (LOSS) EARNINGS PER SHARE

The calculations of basic (loss) earnings per share for the six months ended 30 June 2018 and 2019 are based on the followings:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) Earnings:		
(Loss) Earnings for the purpose of calculating basic earnings per share		
((loss) profit for the period attributable to owners of the Company)	(17,186)	16,765
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	1,291,173	1,280,000

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

8. MOVEMENTS IN INVESTMENT PROPERTY

During the current interim period, the Group acquired an investment property for a cash consideration of approximately HK\$6,223,000 (2018: Nil). The Group's investment properties as at the end of current interim period were valued by the directors on the basis of income approach which took into account of expected rental yield, rental income and expenses. There is no movement in fair value between the date of acquisition of the property and the end of current interim period.

9. TRADE AND OTHER RECEIVABLES

	As at	
	30 June	31 December
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables, net	36,928	41,240
Other receivables, deposits and prepayments	5,522	4,943
Total trade and other receivables	42,450	46,183

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

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

	As at	
	30 June	31 December
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0–30 days	26,112	10,310
31–60 days	78	24,545
61–90 days	3,683	1,300
> 90 days	7,055	5,085
	<u>36,928</u>	<u>41,240</u>

10. TRADE AND OTHER PAYABLES

	As at	
	30 June	31 December
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade payables	35,904	49,514
Accruals	21,658	23,565
	<u>57,562</u>	<u>73,079</u>

The credit period on trade payables is 30 days.

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

	As at	
	30 June	31 December
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0–30 days	18,857	17,149
31–60 days	6,540	17,459
61–90 days	2,179	3,790
> 90 days	8,328	11,116
	<u>35,904</u>	<u>49,514</u>

11. BANK BORROWINGS

	As at	
	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Borrowings that are repayable within one year		
— secured and variable rate		
Advance drawn on bills receivables discounted with recourse	—	3,000
Corporate tax loan	3,221	7,151
	<u>3,221</u>	<u>10,151</u>

The Group's advance drawn on bills receivables discounted with recourse as at 31 December 2018 were denominated in HK\$ and carried interest at Hong Kong Prime Rate minus 2%. The advance were secured by trade receivables in connection with invoice discounting bank loan arrangements at 31 December 2018.

The Group's corporate tax loan as at 31 December 2018 and 30 June 2019 was denominated in HK\$ and carried interest at Hong Kong Prime Rate minus 2%. The corporate tax loan was secured by pledged bank deposit at 31 December 2018 and 30 June 2019.

12. SHARE CAPITAL

The share capital of the Company as at 31 December 2018 and 30 June 2019 is as follows:

		Number of ordinary shares of HK\$0.01 each	Amount HK\$'000
	notes		
Ordinary shares of HK\$0.01 each			
Authorised:			
At 29 April 2015 (date of incorporation)	(a)	38,000,000	380
Increase in authorised share capital	(b)	3,962,000,000	39,620
At 31 December 2018 and 30 June 2019		<u>4,000,000,000</u>	<u>40,000</u>
Issued and fully paid			
Allotted and issued on 29 April 2015 (date of incorporation)	(a)	1	—
Capitalisation issue of shares	(c)	1,087,999,999	10,880
Issue of shares pursuant to the listing of the Company's shares	(d)	192,000,000	1,920
At 31 December 2018		<u>1,280,000,000</u>	<u>12,800</u>
Issue of shares	(e)	50,000,000	500
At 30 June 2019		<u>1,330,000,000</u>	<u>13,300</u>

Note:

- (a) The Company was incorporated on 29 April 2015 in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. Upon incorporation, one ordinary share was allotted, issued and fully paid to an initial subscriber, which was then transferred to Golden Luck Limited (“**Golden Luck**”) on the same day.
- (b) On 10 September 2015, the authorised share capital of the Company was increased from HK\$380,000 to HK\$40,000,000 by the creation of the additional 3,962,000,000 new shares of HK\$0.01 each. These new shares rank pari passu in all respects with the existing shares.
- (c) Pursuant to the written resolution passed by the then sole shareholder of the Company dated 10 September 2015, conditional on the share premium account of the Company being credited as a result of the issue of shares by the Company pursuant to the Listing, the directors of the Company were authorised to allot and issue 1,087,999,999 ordinary shares of HK\$0.01 each of the Company, by way of capitalisation of the sum of approximately HK\$10,880,000 standing to the credit of the share premium account of the Company, credited as fully paid at par to Golden Luck (“**Capitalisation Issue**”). The Capitalisation Issue was completed on 25 September 2015.
- (d) On 25 September 2015, 192,000,000 ordinary shares of HK\$0.01 each of the Company were issued at a price of HK\$0.25 by way of placing. On the same date, the Company’s shares were listed on the Stock Exchange. The proceeds of HK\$1,920,000 representing the par value of the shares of the Company, were credited to the Company’s share capital. The remaining proceeds of HK\$46,080,000, before issuing expenses, were credited to share premium account.
- (e) On 20 May 2019, 50,000,000 ordinary shares of HK\$0.01 each of the Company were issued at a price of HK\$0.155 by way of placing. The proceeds of HK\$500,000 representing the par value of the shares of the Company, were credited to the Company’s share capital. The remaining proceeds of HK\$7,250,000, before issuing expenses, were credited to share premium account.

13. OPERATING LEASE ARRANGEMENT

At 30 June 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of warehouses and office premises which fall due as follows:

	As at	
	30 June 2019 HK\$’000 (Unaudited)	31 December 2018 HK\$’000 (Audited)
Within one year	643	158
In the second to fifth year inclusive	26	1,071
	<u>669</u>	<u>1,229</u>

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

Upon application of modified retrospective approach under HKFRS 16 at transition, the Group elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of date of initial application. Also the Group applies the short-term lease recognition exemption to leases of warehouse and office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

14. RELATED PARTY DISCLOSURES

(i) Transactions

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

Related parties	Nature of transactions	Six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Kin Kwan Decoration, Co (note 1)	Sub-contracting expense from building services engineering contracts	–	110
LKW Company Limited (note 2)	Rental paid/payable	244	244
Mr. Wong and Ms. So	Rental paid/payable	<u>246</u>	<u>246</u>

Notes:

1. Kin Kwan Decoration, Co is a sole proprietorship owned by Mr. Wong Kang Hong, being the younger brother of Mr. Wong, an executive Director and a controlling shareholder of the Company.
2. LKW Company Limited is a wholly owned subsidiary of Golden Luck.

(ii) Compensation of key management personnel

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Salaries and other allowances	1,767	1,716
Retirement benefit scheme contributions	<u>27</u>	<u>27</u>
	<u>1,794</u>	<u>1,743</u>

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.

Keen competition in the construction market continues as a result of the prolonged delay on tendering process for works in both public and private sector. Such severe competition in the market had led to dropping in the number of open tenders and driving down contract prices, which had negative impact on our contract revenue and profit margin. In addition, the overall increase in construction cost including subcontracting fee also had led to decline of profit margin.

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

FINANCIAL REVIEW

Revenue

The revenue decreased from approximately HK\$149.5 million for the six months ended 30 June 2018 to approximately HK\$89.9 million for the six months ended 30 June 2019, representing a drop of approximately 39.9%. Such decrease was mainly due to (i) unexpected prolonged completion of the Group’s projects which led to the overrun of the Group’s project cost; (ii) drop in number of projects undergoing during the Relevant Period further driving down the Group’s revenue recognised during the Relevant Period; and (iii) the Group’s average contract sum decreased compared to that of last year.

Cost of Sales

The cost of sales decreased from approximately HK\$120.9 million for the six months ended 30 June 2018 to approximately HK\$98.5 million for the six months ended 30 June 2019, representing a decrease of approximately 18.6%. Such decrease was mainly attributable to the decrease in building services engineering projects provided by the Group during the Relevant Period.

Gross Profit/(Loss)

Gross loss of the Group was approximately HK\$8.6 million for the six months ended 30 June 2019 while gross profit of the Group was approximately HK\$28.5 million for the six months ended 30 June 2018. The change was mainly driven by the decrease in revenue for the six months ended 30 June 2019 as discussed above.

The overall gross loss margin was approximately 9.6% for the for the six months ended 30 June 2019 while gross profit margin of the Group was approximately 19.1% for the six months ended 30 June 2018 as the extent of decrease in revenue is greater than that of decrease in subcontracting charges and direct labor costs for the six months ended 30 June 2019. Since the Group had substantial fixed direct labour costs, the drop in the cost of sales of the Group during the Relevant Period was not proportionate to the drop in revenue.

Administrative Expenses

Administrative expenses of the Group increased by approximately 5.6% from approximately HK\$8.8 million for the six months ended 30 June 2018 to approximately HK\$9.3 million for the six months ended 30 June 2019. Administrative expenses primarily consist of rental expenses and staff costs. The increase was attributable to the increase in administrative staff salary and other administrative expenses during the Relevant Period.

Income Tax Expense

Income tax expense of the Group decreased by approximately 100% from approximately HK\$3.4 million for the six months ended 30 June 2018 to nil for the six months ended 30 June 2019. The decrease was due to no taxable profit for the six months ended 30 June 2019.

(Loss) Profit and Total Comprehensive (Loss) Income

The Group recorded loss and total comprehensive loss of approximately HK\$17.2 million for the six months ended 30 June 2019, whereas the Group recorded profit and total comprehensive profit of approximately HK\$16.8 million for the six months ended 30 June 2018. Such change was primarily attributable to the combined effect of (i) the significant decrease in revenue and incurrence of gross loss for the six months ended 30 June 2019; and (ii) the increase in administrative expenses for the six months ended 30 June 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the Group had total assets of approximately HK\$191.2 million (31 December 2018: approximately HK\$223.7 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$62.8 million (31 December 2018: approximately HK\$85.6 million) and approximately HK\$128.3 million (31 December 2018: approximately HK\$138.1 million), respectively.

The total interest-bearing loans and borrowings (interest-bearing bank borrowings) of the Group as at 30 June 2019 were approximately HK\$3.2 million (31 December 2018: 10.1 million), and current ratio as at 30 June 2019 was approximately 2.9 times (31 December 2018: approximately 2.6 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 Relevant Period.

For further details regarding the borrowings, please refer to Note 11 to the unaudited condensed consolidated financial statements.

GEARING RATIO

The gearing ratio of the Group as at 30 June 2019 was approximately 2.5% (31 December 2018: 7.4%). The drop of gearing ratio was due to the receipt of net proceeds from the placing of shares completed on 20 May 2019 and repayment of advance drawn down on bills receivables.

The gearing ratio is calculated based on the total loans and borrowings (interest-bearing bank borrowings) 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 Relevant Period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

PLEDGE OF ASSETS

As at 30 June 2019, the Group pledged its bank deposits to a bank of approximately HK\$7.3 million as collateral to secure banking facilities granted to the Group (31 December 2018: HK\$13.5 million). As at 30 June 2019, the Group pledged the Group's investment property at Room B9, 6/F., Block B, Tonic Industrial Centre, 19 Lam Hing Street, Kowloon Bay, Hong Kong to a bank as all monies collateral to secure banking 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 six months ended 30 June 2019, there was no significant exposure to foreign exchange rate fluctuations and the Group has not maintained any hedging policy against the 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 of the Stock Exchange on 25 September 2015 and transferred to the Main Board of the Stock Exchange on 12 February 2018. On 20 May 2019, 50,000,000 shares of HK\$0.01 each of the Company were issued at a price of HK\$0.155 by way of placing under general mandate (the “**Placing**”). The share capital of the Group only comprises ordinary shares. The share capital of the Company comprises only ordinary shares.

As at 30 June 2019, the Company’s issued share capital was HK\$13,300,000 (31 December 2018: HK\$12,800,000) and the number of its issued ordinary shares was 1,330,000,000 of HK\$0.01 each (31 December 2018: 1,280,000,000).

For further information in relation to the Placing, please refer to the announcements of the Company dated 6 May 2019, 8 May 2019 and 20 May 2019.

COMMITMENTS

The Group did not have any significant capital commitments in respect of plant and equipment or investment property as at 30 June 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have other plans for material investments or capital assets as of 30 June 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2019, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any material contingent liabilities (31 December 2018: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group employed a total of 94 employees (31 December 2018: 91 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$19.5 million for the six months ended 30 June 2019 (for the six months ended 30 June 2018: approximately HK\$20.2 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

In May 2019, the Group completed an acquisition of an investment property at Room B9, 6/F., Block B, Tonic Industrial Centre, 19 Lam Hing Street, Kowloon Bay, Hong Kong (the "**Investment Property**") from an independent third party at the consideration of approximately HK\$6.2 million. As all applicable percentage ratios under Chapter 14 of the Listing Rules were less than 5%, the acquisition of the Investment Property did not give rise to disclosure obligation. The Investment Property is currently leased to an independent third party at market rent.

Save as disclosed above and the investment in its subsidiaries by the Company, the Group did not hold any significant investments during the six months ended 30 June 2019.

DISCLOSURE OF INTERESTS

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

As at 30 June 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive was taken or deemed to have under such provision of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the Shares

Name of Director	Capacity/ Nature of interest	Number of the Shares held/ interested in	Percentage of shareholding
Mr. Wong	Interest in controlled corporation (<i>note 1</i>)	653,000,000	49.10%
	Beneficial owner	51,800,000	3.89%
Ms. So	Interest of spouse (<i>note 2</i>)	704,800,000	52.99%
Mr. Tang Chun Man Joseph	Beneficial owner	160,000	0.01%

Notes:

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

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

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

Save as disclosed above, as at 30 June 2019, none of the Directors nor chief executive of the Company has registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

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

So far as the Directors are aware, as at 30 June 2019, the following persons (other than the Directors and chief executive of the Company) had or deemed or taken to have an interest or short position in the Shares or underlying Shares or debentures of the Company which were required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules.

Name of shareholder	Capacity/ Nature of interest	Number of the Shares held/ interested in	Long/short position	Percentage of shareholding
Golden Luck	Beneficial owner	653,000,000	Long	49.1%

Save as disclosed above, as at 30 June 2019, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in the Shares, the Underlying Shares or Debentures" above, had notified the Company of an interest or short position in the Shares, underlying Shares or debentures of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

COMPETING INTERESTS

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

DIRECTORS' MATERIAL INTEREST IN CONTRACTS

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

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

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

CORPORATE GOVERNANCE CODE

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

DIVIDEND

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

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 10 September 2015 (the "**Scheme**"). The terms of the Scheme are in compliance with the provisions of chapter 17 of the Listing Rules.

No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 30 June 2019.

Other than the Scheme, at no time during the six months ended 30 June 2019 and up to the date of this announcement was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EVENTS AFTER REPORTING PERIOD

There are no important events subsequent to the end of the Relevant Period and up to the date of this announcement.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) on 10 September 2015 with its written terms of reference in compliance with paragraphs C3.3 and C3.7 of the CG Code. The primary duties of the Audit Committee are to review and monitor the financial reporting process and the internal control and risk management systems of the Group, nominate and monitor external auditors and to oversee the continuing connected transactions of the Company. The Audit Committee consists of three members, namely Mr. Chung Yuk Ming, Christopher, Mr. Fok Ka Chi and Mr. Tam Chun Chung, all being independent non-executive Directors. Mr. Tam Chun Chung currently serves as the chairman of the Audit Committee.

The unaudited condensed consolidated financial statements of the Group for the Relevant Period have not been reviewed or audited by the auditor of the Company but have been reviewed by the Audit Committee of the Company.

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

Hong Kong, 22 August 2019

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