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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 2020

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 2020 (the “**Relevant Period**”), together with the corresponding comparative figures of 2019, as follows:

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

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		HK\$'000	HK\$'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
Revenue	3	65,925	89,872
Cost of sales		(59,196)	(98,504)
Gross profit (loss)		6,729	(8,632)
Other (losses) income		(168)	836
Administrative expenses		(8,708)	(9,297)
Finance costs		–	(93)
Loss before taxation	4	(2,147)	(17,186)
Income tax expense	5	–	–
Loss and total comprehensive expenses for the period		(2,147)	(17,186)
Loss per share			
— Basic (HK cents)	7	(0.16)	(1.33)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
	Notes		
Non-current assets			
Property, plant and equipment		1,353	1,636
Investment property	8	5,700	6,100
Deposit paid for a life insurance policy		1,166	1,159
		<u>8,219</u>	<u>8,895</u>
Current assets			
Contract assets		45,266	72,924
Trade and other receivables	9	56,614	34,252
Amount due from a related party		—	8
Tax recoverable		3,028	2,666
Pledged bank deposits		7,238	7,903
Bank balances and cash		40,836	64,380
		<u>152,982</u>	<u>182,133</u>
Current liabilities			
Contract liabilities		692	1,997
Trade and other payables	10	48,631	75,006
		<u>49,323</u>	<u>77,003</u>
Net current assets		<u>103,659</u>	<u>105,130</u>
Total assets less current liabilities		111,878	114,025
Non-current liabilities			
Deferred tax liabilities		199	199
Net assets		<u>111,679</u>	<u>113,826</u>
Capital and reserve			
Share capital	11	13,300	13,300
Reserves		98,379	100,526
		<u>111,679</u>	<u>113,826</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	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 2020 (audited)	13,300	37,796	610	62,120	113,826
Loss and total comprehensive expenses for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>(2,147)</u>	<u>(2,147)</u>
As at 30 June 2020 (unaudited)	<u>13,300</u>	<u>37,796</u>	<u>610</u>	<u>59,973</u>	<u>111,679</u>
As at 1 January 2019 (audited)	12,800	30,855	610	93,828	138,093
Issuance of shares (<i>Note 11(e)</i>)	500	7,250	–	–	7,750
Expenses incurred in connection with issue of new shares	–	(285)	–	–	(285)
Loss and total comprehensive expenses for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>(17,186)</u>	<u>(17,186)</u>
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>

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2020*

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash generated (used in) from operating activities	<u>(24,239)</u>	<u>9,975</u>
Net cash from (used in) investing activities	<u>695</u>	<u>(979)</u>
Net cash generated from financing activities	<u>–</u>	<u>442</u>
Net (decrease) increase in cash and cash equivalents	<u>(23,544)</u>	<u>9,438</u>
Cash and cash equivalents at the beginning of the period	<u>64,380</u>	<u>28,269</u>
Cash and cash equivalents at the end of the period, represented by cash at banks and on hand	<u><u>40,836</u></u>	<u><u>37,707</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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 of the Stock Exchange (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 and maintenance and repair services 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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Interim Financial Statements have been prepared under the historical cost convention and are presented in Hong Kong dollars ("**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 2019.

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 2020 for the preparation of the Group's condensed consolidated financial statements:

For the six months ended 30 June 2020, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise HKFRS, HKAS and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the six months ended 30 June 2020 and prior years.

3. REVENUE AND SEGMENT INFORMATION

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

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

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Building services engineering work	57,122	80,891
Maintenance, repair and other services	8,803	8,981
	<u>65,925</u>	<u>89,872</u>

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

For the six months ended 30 June 2020

	Building services engineering work <i>HK\$'000</i>	Maintenance, repair and other services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
External sales	<u>57,122</u>	<u>8,803</u>	<u>65,925</u>
Segment results	<u>4,831</u>	<u>1,898</u>	<u>6,729</u>
Other losses			(168)
Administrative expenses			<u>(8,708)</u>
Loss before taxation			<u><u>(2,147)</u></u>

For the six months ended 30 June 2019

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

4. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging (crediting):		
Directors' remuneration	2,013	1,794
Other staff costs:		
Salaries and other allowances	13,123	17,280
Retirement benefit scheme contributions	575	415
Total staff costs	15,711	19,489
Auditor's remuneration	400	400
Depreciation of property, plant and equipment	283	263
Bank interest income	(30)	(31)

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong profits tax	—	—

Hong Kong profits tax is calculated at 16.5% (six months ended 30 June 2019: 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 2020.

7. LOSS PER SHARE

The calculations of basic loss per share for the six months ended 30 June 2019 and 2020 are based on the followings:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss:		
Loss for the purpose of calculating basic loss per share	(2,147)	(17,186)
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	1,330,000	1,291,173

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

The Group's investment properties as at the end of the current interim period were valued by C S Surveyors Limited, independent qualified professional valuers not connected to the Group. The valuation conforms to the Hong Kong Institute of Surveyors Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors. The fair value was determined based on the direct comparison approach. Unobservable input includes location and conditions of the property. The fair value of the investment property is of level 3 fair value hierarchy.

Investment property was pledged to banks to secure banking facilities granted to the Group.

The resulting decrease in fair value of investment properties of HK\$400,000 has been recognised directly in profit or loss for the six months ended 30 June 2020 (2019: Nil).

9. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade receivables, net	53,259	29,399
Other receivables, deposits and prepayments	3,355	4,853
Total trade and other receivables	<u>56,614</u>	<u>34,252</u>

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 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
0–30 days	23,827	18,416
31–60 days	12,721	2,443
61–90 days	7,762	5,433
> 90 days	8,949	3,107
	<u>53,259</u>	<u>29,399</u>

10. TRADE AND OTHER PAYABLES

	As at	
	30 June 2020 <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Audited)
Trade payables	32,557	47,223
Other payables and accruals	16,074	27,783
Total trade and other payables	48,631	75,006

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 2020 <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Audited)
0–30 days	7,835	14,808
31–60 days	10,880	8,275
61–90 days	2,251	4,634
> 90 days	11,591	19,506
	32,557	47,223

11. SHARE CAPITAL

The share capital of the Company as at 31 December 2019 and 30 June 2020 is as follows:

	Notes	Number of ordinary shares of HK\$0.01 each	Amount HK\$'000
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 2019 and 30 June 2020		<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)	<u>192,000,000</u>	<u>1,920</u>
At 31 December 2018		<u>1,280,000,000</u>	<u>12,800</u>
Issue of shares	(e)	<u>50,000,000</u>	<u>500</u>
At 31 December 2019 and 30 June 2020		<u>1,330,000,000</u>	<u>13,300</u>

Notes:

- (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.

12. OPERATING LEASE ARRANGEMENT

The Group as lessor

Property rental income earned during the Relevant Period was HK\$102,000 (2019: HK\$17,000). The properties which are leased out as at 30 June 2020 have rental yield of approximately 3.34% and with committed tenants with the longest tenure for two years. At the end of the reporting period, minimum lease payments receivable on lease to be received within one year is HK\$187,000.

13. RELATED PARTY DISCLOSURES

(i) Transactions

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

Related parties	Nature of transactions	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Kin Kwan Decoration, Co (note 1)	Sub-contracting expense from building services engineering contracts	353	–
LKW Company Limited (note 2)	Rental paid/payable	265	244
Mr. Wong and Ms. So	Rental paid/payable	450	246

Notes:

- 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.
- LKW Company Limited is a wholly-owned subsidiary of Golden Luck.

(ii) Compensation of key management personnel

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Salaries and other allowances	1,986	1,767
Retirement benefit scheme contributions	27	27
	<u>2,013</u>	<u>1,794</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 sectors. Such severe competition in the market had led to a drop in the number of open tenders and drove down contract prices, which caused negative impact on our contract revenue.

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

FINANCIAL REVIEW

Revenue

The revenue decreased from approximately HK\$89.9 million for the six months ended 30 June 2019 to approximately HK\$65.9 million for the six months ended 30 June 2020, representing a drop of approximately 26.7%. Such decrease was mainly due to (i) a drop in the number of projects undergoing during the Relevant Period, which drove down the Group's revenue recognised during the Relevant Period; and (ii) the Group's average contract sum decreased compared to that of the corresponding period last year.

Cost of Sales

The cost of sales decreased from approximately HK\$98.5 million for the six months ended 30 June 2019 to approximately HK\$59.2 million for the six months ended 30 June 2020, representing a decrease of approximately 39.9%. Such decrease was mainly attributable to the decrease in the number of undergoing projects during the Relevant Period and plunge in the size of projects during the Relevant Period.

Gross Profit/(Loss)

Gross profit of the Group was approximately HK\$6.7 million for the six months ended 30 June 2020 while gross loss of the Group was approximately HK\$8.6 million for the six months ended 30 June 2019. Gross profit has significantly improved during the Relevant Period, since the Group has completed most of the loss-making projects in 2019 resulting in improvement in results of building services engineering segment. In addition, maintenance segment continued to contribute a stable gross profit. This further boosts up the Group's profit margin.

The overall gross profit margin was approximately 10.2% for the for the six months ended 30 June 2020 while gross loss margin of the Group was approximately 9.6% for the six months ended 30 June 2019. Gross profit margin has been improved as discussed above.

Administrative Expenses

Administrative expenses of the Group decreased by approximately 6.3% from approximately HK\$9.3 million for the six months ended 30 June 2019 to approximately HK\$8.7 million for the six months ended 30 June 2020. Administrative expenses primarily consist of rental expenses and staff costs. The decrease was attributable to the decrease in administrative staff salary and other administrative expenses during the Relevant Period.

Loss and Total Comprehensive Expenses

The Group recorded loss and total comprehensive expenses of approximately HK\$2.1 million for the six months ended 30 June 2020, whereas the Group recorded loss and total comprehensive expenses of approximately HK\$17.2 million for the six months ended 30 June 2019. Such reduction in loss was primarily attributable to the combined effect of (i) the significant increase in gross profit for the six months ended 30 June 2020; and (ii) the decrease in administrative expenses for the six months ended 30 June 2020.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group had total assets of approximately HK\$161.2 million (31 December 2019: approximately HK\$191.0 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$49.5 million (31 December 2019: approximately HK\$77.2 million) and approximately HK\$111.7 million (31 December 2019: approximately HK\$113.8 million), respectively.

Current ratio as at 30 June 2020 was approximately 3.1 times (31 December 2019: approximately 2.4 times).

The Group has no loans or borrowings as of 30 June 2020 and 31 December 2019.

GEARING RATIO

The gearing ratio of the Group as at 30 June 2020 was nil (31 December 2019: nil).

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 2020, the Group pledged its bank deposits to a bank of approximately HK\$7.2 million as collateral to secure banking facilities granted to the Group (31 December 2019: HK\$7.3 million). As at 30 June 2020, 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. The Group did not utilise any of these banking facilities as of 30 June 2020 and 31 December 2019.

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

FOREIGN EXCHANGE EXPOSURE

All of the revenue-generating operations of the Group were transacted in Hong Kong Dollars which is the presentation currency of the Group. For the six months ended 30 June 2020, 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. During the Relevant Period, the Group did not enter into any hedging instrument or contracts.

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 share capital of the Group only comprises ordinary shares. During the Relevant Period, there was no change in the capital structure of the Company.

As at 30 June 2020, the Company's issued share capital was HK\$13,300,000.

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 2020.

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 2020.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2020, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any material contingent liabilities (31 December 2019: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group employed a total of 86 employees (31 December 2019: 94 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$15.7 million for the six months ended 30 June 2020 (for the six months ended 30 June 2019: approximately HK\$19.5 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). Remuneration package would be reviewed on regular basis based on the performance of the individual employee. On top of basic salaries, bonuses may be paid with reference to the Group's performance as well as individual's performance. Other staff benefits include provision of retirement benefits, medical benefits and sponsorship of training courses. Share options may also be granted to eligible employees by reference to the Group's performance as well as individual contribution.

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. 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 2020.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the Listing, after deducting listing-related expenses, were approximately HK\$31.6 million. After the Listing, 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 30 June 2020 is set out below:

	Planned use of net proceeds as stated in the Prospectus (HK\$'000)	Actual use of net proceeds up to 30 June 2020 (HK\$'000)	Net proceeds utilised during the six months ended 30 June 2020 (HK\$'000)	Unutilised net proceeds as at 30 June 2020 (HK\$'000)
Further development of the Group's building services engineering business	16,500	16,500	–	–
Further expansion of service scope	8,500	6,409	309	2,091
Further strengthening the Group's engineering department	6,600	6,600	–	–

As at 30 June 2020, the unused net proceeds from the Listing of approximately HK\$2.1 million was placed in an interest bearing account with bank in accordance with the disclosure in the Prospectus. There was a delay in the use of proceeds as to expansion of service scope and the unutilised portion of the net proceeds represent the salaries and payments payable to the additional staff members recruited for expansion of service scope. The Company expects the unutilised portion of the net proceeds will be utilised by 2021. The Company intends to apply the unutilised portion of the proceeds in accordance with the planned use of the proceeds as stated in the Prospectus.

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 2020, 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	105,420,000	7.93%
	Interest of spouse (<i>note 2</i>)	8,000,000	0.60%
Ms. So	Interest of spouse (<i>note 3</i>)	758,420,000	57.03%
	Beneficial owner	8,000,000	0.60%
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. Mr. Wong is the spouse of Ms. So. Under the SFO, Mr. Wong is deemed to be interested in the same number of the Shares in which Ms. So is interested.
3. Ms. So is the spouse of Mr. Wong. Under the SFO, Ms. So is deemed to be interested in the same number of the Shares in which Mr. Wong is interested.

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

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

Save as disclosed above, as at 30 June 2020, 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 2020, 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 2020, 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.

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established.

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

DIVIDEND

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

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 10 September 2015 (the "**Scheme**"). 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 2020.

Other than the Scheme, at no time during the six months ended 30 June 2020 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 C.3.3 and C.3.7 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 and is of the opinion that the preparation of such statements complies with the applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

By Order of the Board
LAP KEI ENGINEERING (HOLDINGS) LIMITED
Wong Kang Kwong
Chairman and executive Director

Hong Kong, 21 August 2020

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