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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 2021**

INTERIM RESULTS

The board of directors (the “**Board**”) of Lap Kei Engineering (Holdings) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2021 (the “**Relevant Period**”), together with the corresponding comparative figures of 2020, as follows:

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

For the six months ended 30 June 2021

| | <i>Notes</i> | Six months ended 30 June | |
|---|--------------|---------------------------------|--------------------|
| | | 2021 | 2020 |
| | | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Revenue | 3 | 87,621 | 65,925 |
| Cost of sales | | (81,967) | (59,196) |
| Gross profit | | 5,654 | 6,729 |
| Other income (losses) | | 684 | (168) |
| Administrative expenses | | (9,395) | (8,708) |
| Loss before taxation | 4 | (3,057) | (2,147) |
| Income tax expense | 5 | – | – |
| Loss and total comprehensive expenses for the period | | (3,057) | (2,147) |
| Loss per share | | | |
| — Basic (HK cents) | 7 | (0.22) | (0.16) |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

| | | As at 30 June 2021 <i>HK\$'000</i> (Unaudited) | As at 31 December 2020 <i>HK\$'000</i> (Audited) |
|--|--------------|---|---|
| | <i>Notes</i> | | |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 2,659 | 1,070 |
| Investment property | 9 | 5,650 | 5,300 |
| Deposit paid for a life insurance policy | | 1,183 | 1,175 |
| | | <u>9,492</u> | <u>7,545</u> |
| Current assets | | | |
| Trade and other receivables | 10 | 51,966 | 53,464 |
| Contract assets | | 64,778 | 27,694 |
| Tax recoverable | | – | 3,028 |
| Pledged bank deposits | | 7,229 | 7,241 |
| Bank balances and cash | | 49,291 | 58,286 |
| | | <u>173,264</u> | <u>149,713</u> |
| Current liabilities | | | |
| Trade and other payables | 11 | 61,457 | 44,662 |
| Contract liabilities | | – | 349 |
| Tax payable | | 222 | – |
| | | <u>61,679</u> | <u>45,011</u> |
| Net current assets | | <u>111,585</u> | <u>104,702</u> |
| Total assets less current liabilities | | 121,077 | 112,247 |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 185 | 185 |
| Net assets | | <u>120,892</u> | <u>112,062</u> |
| Capital and reserve | | | |
| Share capital | 12 | 15,300 | 13,300 |
| Reserves | | 105,592 | 98,762 |
| | | <u>120,892</u> | <u>112,062</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

| | 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 2021 (audited) | 13,300 | 37,796 | 610 | 60,356 | 112,062 |
| Issuance of shares (<i>Note 12(a)</i>) | 2,000 | 10,200 | – | – | 12,200 |
| Expenses incurred in connection with issue of new shares | – | (313) | – | – | (313) |
| Loss and total comprehensive expenses for the period | – | – | – | (3,057) | (3,057) |
| As at 30 June 2021 (unaudited) | <u>15,300</u> | <u>47,683</u> | <u>610</u> | <u>57,299</u> | <u>120,892</u> |
| As at 1 January 2020 (audited) | 13,300 | 37,796 | 610 | 62,120 | 113,826 |
| Loss and total comprehensive expenses for the period | – | – | – | (2,147) | (2,147) |
| 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> |

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 2021

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2021 HK\$'000 (Unaudited) | 2020 HK\$'000 (Unaudited) |
| Net cash used in operating activities | <u>(19,376)</u> | <u>(24,239)</u> |
| Net cash (used in) generated from investing activities | <u>(1,506)</u> | <u>695</u> |
| Net cash generated from financing activities | <u>11,887</u> | <u>–</u> |
| Net decrease in cash and cash equivalents | <u>(8,995)</u> | <u>(23,544)</u> |
| Cash and cash equivalents at the beginning of the period | <u>58,286</u> | <u>64,380</u> |
| Cash and cash equivalents at the end of the period, represented by cash at banks and on hand | <u><u>49,291</u></u> | <u><u>40,836</u></u> |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL INFORMATION

Lap Kei Engineering (Holdings) Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 29 April 2015 under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its immediate and ultimate holding company is Golden Luck Limited (“**Golden Luck**”), which is a limited company incorporated in the British Virgin Islands. The address of the registered office is Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is Room 6, 6/F, Block B, Tonic Industrial Centre, 19 Lam Hing Street, Kowloon Bay, Hong Kong.

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.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) which is the same as the functional currency of the Company.

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, 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 2020.

Application of new and amendments to HKFRSs

The accounting policies applied in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards effective for the financial year ending 31 December 2021.

In the current period, the Group has adopted the following amendments to existing standards (hereinafter collectively referred to as the "revised HKFRSs") issued by the HKICPA.

| | |
|--|---|
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | <i>Interest Rate Benchmark Reform — Phase 2</i> |
| Amendment to HKFRS 16 | <i>Covid-19-Related Rent Concessions</i> |

The application of the above revised HKFRSs in the current period has had no material impact on the Group's results and financial position.

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 | |
|--|---------------------------------|--------------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Building services engineering work | 78,891 | 57,122 |
| Maintenance, repair and other services | 8,730 | 8,803 |
| | <u>87,621</u> | <u>65,925</u> |

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

For the six months ended 30 June 2021

| | 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>78,891</u> | <u>8,730</u> | <u>87,621</u> |
| Segment results | <u>2,935</u> | <u>2,719</u> | <u>5,654</u> |
| Other income | | | 684 |
| Administrative expenses | | | <u>(9,395)</u> |
| Loss before taxation | | | <u><u>(3,057)</u></u> |

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> |

4. LOSS BEFORE TAXATION

| | Six months ended 30 June | |
|---|---------------------------------|--------------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Loss for the period has been arrived at after charging (crediting): | | |
| Directors' remuneration | 3,827 | 2,013 |
| Other staff costs: | | |
| Salaries and other allowances | 16,598 | 13,123 |
| Retirement benefit scheme contributions | 581 | 575 |
| Total staff costs | 21,006 | 15,711 |
| Auditor's remuneration | 419 | 400 |
| Depreciation of property, plant and equipment | 202 | 283 |
| Bank interest income | (2) | (30) |

5. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|-----------------------|---------------------------------|--------------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Hong Kong profits tax | – | – |

Hong Kong profits tax is calculated at 16.5% (six months ended 30 June 2020: 16.5%) of the estimated assessable profit of the Group for the period as stated above.

No tax provision was made as there was no assessable profit during the periods.

6. DIVIDEND

The Board resolved not to pay an interim dividend for the six months ended 30 June 2021.

7. LOSS PER SHARE

The calculations of basic loss per share for the six months ended 30 June 2020 and 2021 are based on the followings:

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2021 HK\$'000 (Unaudited) | 2020 HK\$'000 (Unaudited) |
| Loss: | | |
| Loss for the purpose of calculating basic loss per share | <u>(3,057)</u> | <u>(2,147)</u> |
| | '000 | '000 |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share | <u>1,384,144</u> | <u>1,330,000</u> |

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

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the Relevant Period, the Group disposed of motor vehicle with a carrying amount of HK\$487,000 for cash proceeds of approximately HK\$760,000 (six months ended 30 June 2020: nil) resulting in a net gain on disposal of approximately HK\$273,000 (six months ended 30 June 2020: nil).

In addition, during the Relevant Period, additions to property, plant and equipment amounted to approximately HK\$2,278,000 (six months ended 30 June 2020: nil).

9. MOVEMENTS IN INVESTMENT PROPERTY

The Group's investment property as at the end of the current interim period was 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 (2020 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 increase in fair value of investment property of HK\$350,000 has been recognised directly in profit or loss for the Relevant Period (six months ended 30 June 2020: decrease in fair value of HK\$400,000).

10. TRADE AND OTHER RECEIVABLES

| | As at | |
|---|---|---|
| | 30 June 2021 <i>HK\$'000</i> (Unaudited) | 31 December 2020 <i>HK\$'000</i> (Audited) |
| Trade receivables, net | 38,852 | 40,044 |
| Other receivables, deposits and prepayments | 13,114 | 13,420 |
| Total trade and other receivables | <u>51,966</u> | <u>53,464</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 2021 <i>HK\$'000</i> (Unaudited) | 31 December 2020 <i>HK\$'000</i> (Audited) |
| 0–30 days | 14,984 | 15,186 |
| 31–60 days | 4,528 | 8,827 |
| 61–90 days | 3,860 | 8,148 |
| > 90 days | 15,480 | 7,883 |
| | <u>38,852</u> | <u>40,044</u> |

11. TRADE AND OTHER PAYABLES

| | As at | |
|--------------------------------|---|---|
| | 30 June 2021 <i>HK\$'000</i> (Unaudited) | 31 December 2020 <i>HK\$'000</i> (Audited) |
| Trade payables | 44,686 | 32,183 |
| Other payables and accruals | 16,771 | 12,479 |
| Total trade and other payables | <u>61,457</u> | <u>44,662</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 2021 <i>HK\$'000</i> (Unaudited) | 31 December 2020 <i>HK\$'000</i> (Audited) |
| 0–30 days | 18,742 | 5,742 |
| 31–60 days | 6,593 | 6,748 |
| 61–90 days | 1,370 | 998 |
| > 90 days | 17,981 | 18,695 |
| | <u>44,686</u> | <u>32,183</u> |

12. SHARE CAPITAL

The share capital of the Company as at 31 December 2020 and 30 June 2021 is as follows:

| | Number of ordinary shares of HK\$0.01 each | Amount HK\$'000 |
|--------------------------------------|---|----------------------------|
| Ordinary shares of HK\$0.01 each | | |
| Authorised: | | |
| At 31 December 2020 and 30 June 2021 | 4,000,000,000 | <u>40,000</u> |
| Issued and fully paid | | |
| At 31 December 2019 and 2020 | 1,330,000,000 | 13,300 |
| Issue of shares | (a) <u>200,000,000</u> | <u>2,000</u> |
| At 30 June 2021 | <u>1,530,000,000</u> | <u>15,300</u> |

Notes:

- (a) On 13 May 2021, 200,000,000 ordinary shares of HK\$0.01 each of the Company were issued at a price of HK\$0.061 by way of placing. The proceeds of HK\$2,000,000 representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK\$10,200,000, before issuing expenses, were credited to share premium account.

13. OPERATING LEASE ARRANGEMENT

The Group as lessor

The Group had not earned any property rental income during the Relevant Period (2020: HK\$102,000).

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 | |
|-------------------------------------|--|---------------------------------|---------------------------------|
| | | 2021 HK\$'000 (Unaudited) | 2020 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 | 181 | 265 |
| Mr. Wong and Ms. So | Rental paid/payable | <u>263</u> | <u>450</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 by Mr. Wong and Ms. So.

(ii) Compensation of key management personnel

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2021 HK\$'000 (Unaudited) | 2020 HK\$'000 (Unaudited) |
| Salaries and other allowances | 3,575 | 1,986 |
| Retirement benefit scheme contributions | <u>27</u> | <u>27</u> |
| | <u>3,602</u> | <u>2,013</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.

The negative impact of the COVID-19 pandemic to the general economy of Hong Kong and couple with the prolonged delay on tendering process for works in both public and private sectors, aggravate the keen competition in the construction market. Such severe competition had led the Group to drive down contract price to maintain its market share, which cause the decrease in gross 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. 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 increased from approximately HK\$65.9 million for the six months ended 30 June 2020 to approximately HK\$87.6 million for the six months ended 30 June 2021, representing an increase in approximately 32.9%. Such increase was mainly due to (i) an increase in the number of projects undergoing during the Relevant Period, which boosted up the Group's revenue recognised during the Relevant Period; and (ii) the Group's average contract sum increased compared to that of the corresponding period of last year.

Cost of Sales

The cost of sales increased from approximately HK\$59.2 million for the six months ended 30 June 2020 to approximately HK\$82.0 million for the six months ended 30 June 2021, representing a increase of approximately 38.5%. Such increase was mainly attributable to the increase in the number of undergoing projects during the Relevant Period and a few sizable project were newly rewarded and commenced work during the Relevant Period.

Gross Profit

Gross profit of the Group was approximately HK\$5.7 million for the six months ended 30 June 2021, while gross profit of the Group was approximately HK\$6.7 million for the six months ended 30 June 2020. Gross profit has dropped during the Relevant Period, since the Group offered competitive tender price to maintain its market share, which resulted in the decrease in gross profit margin for the Group's building services engineering work segment.

The overall gross profit margin was approximately 6.5% for the for the six months ended 30 June 2021 while gross profit margin of the Group was approximately 10.2% for the six months ended 30 June 2020. The reasons of the drop in the gross profit margin have has been discussed above.

Administrative Expenses

Administrative expenses of the Group increase by approximately 8.0% from approximately HK\$8.7 million for the six months ended 30 June 2020 to approximately HK\$9.4 million for the six months ended 30 June 2021. 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, as there were no one-off employment supporting government subsidies being received during the Relevant Period.

Loss and Total Comprehensive Expenses

The Group recorded loss and total comprehensive expenses of approximately HK\$3.1 million for the six months ended 30 June 2021, whereas the Group recorded loss and total comprehensive expenses of approximately HK\$2.1 million for the six months ended 30 June 2020. Such increase in loss was primarily attributable to the combined effect of (i) the decrease in gross profit for the six months ended 30 June 2021; and (ii) the increase in administrative expenses for the six months ended 30 June 2021.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the Group had total assets of approximately HK\$182.8 million (31 December 2020: approximately HK\$157.3 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$61.9 million (31 December 2020: approximately HK\$45.2 million) and approximately HK\$120.9 million (31 December 2020: approximately HK\$112.1 million), respectively.

Current ratio as at 30 June 2021 was approximately 2.8 times (31 December 2020: approximately 3.3 times).

The Group has no outstanding loans or borrowings as of 30 June 2021 and 31 December 2020.

GEARING RATIO

The gearing ratio of the Group as at 30 June 2021 was nil (31 December 2020: nil), which is calculated by the total borrowings divided by total equity.

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. Other than cash or bank deposits, the Group did not have other investments in securities or financial products for its treasury management purpose during 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 2021, 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 2020: HK\$7.2 million). As at 30 June 2021, 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 utilised bank facilities of \$8.8 million as of 30 June 2021.

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 2021, there was no significant exposure to foreign exchange rate fluctuations and the Group did not engage in hedging against the foreign currency risk. The management will consider hedging significant currency exposure should such need arise. During the Relevant Period, the Group did not enter into any hedging instrument or contracts.

CAPITAL STRUCTURE

On 13 May 2021, 200,000,000 shares of HK\$0.01 each of the Company were issued at a price of HK\$0.061 by way of placing under general mandate (the “**Placing**”). The share capital of the Group only comprises ordinary shares.

As at 30 June 2021, the Company had 1,530,000,000 ordinary shares in issue and the Company’s issued share capital was HK\$15,300,000.

For further information in relation to the Placing, please refer to paragraph headed “Placing under General Mandate” below in this announcement and the announcements of the Company dated 27 April 2021, 4 May 2021 and 13 May 2021.

PLACING UNDER GENERAL MANDATE

On 27 April 2021, the Company entered into a placing agreement with Silverbricks Securities Company Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in future contracts) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as placing agent (the “**Placing Agent**”), pursuant to which the Company agreed to issue and the Placing Agent agreed to place up to 200,000,000 new ordinary shares under general mandate to not less than six places at the Placing price of HK\$0.061 per Placing share. After deducting the expenses involved in the Placing, the net issue price of each Placing share is approximately HK\$0.0595. The Placing was completed on 13 May 2021 and the Placing Agent successfully placed an aggregate of 200,000,000 Placing shares, representing approximately 13.1% of the issued share capital of the Company as enlarged by the issue of 200,000,000 Placing shares, to not less than six independent places at the Placing Price of HK\$0.061 per Placing share. In order to support the Group in taking up the newly awarded contracts, the Directors consider that the Placing offers a good opportunity to raise additional funds for the Company’s business expansion for taking up additional projects while broadening the shareholders’ and capital base of the Company.

The gross proceeds and the net proceeds (after deducting the placing fee and other related expenses incurred in the Placing) from the Placing were approximately HK\$12.2 million and approximately HK\$11.9 million, respectively. For further information in relation to the Placing, please refer to the announcements of the Company dated 27 April 2021, 4 May 2021 and 13 May 2021.

CAPITAL COMMITMENTS

The Group did not have any significant capital commitments in respect of plant and equipment or investment property as at 30 June 2021.

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 2021.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Relevant Period, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any material contingent liabilities (31 December 2020: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group employed a total of 126 employees (31 December 2020: 115 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$21.0 million for the six months ended 30 June 2021 (for the six months ended 30 June 2020: approximately HK\$15.7 million).

The Group promotes individuals based on their qualification, 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.

Among the retirement benefit, the Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). The MPF Scheme is defined contribution retirement plan administrated by the independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employee's relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contribution to the MPF Scheme vest immediately.

There was no forfeited contribution under the MPF Scheme or other retirement benefit scheme which may be used by the Group to reduce the contribution payables as at 30 June 2021 and no amount was utilised to reduce the existing level of contributions during the six months ended 30 June 2021.

SIGNIFICANT INVESTMENTS HELD

During the Relevant Period, the Group held an investment property at workshop B9, 6/F., Block B, Tonic Industrial Centre, 19 Lam Hing Street, Kowloon Bay, Hong Kong (the “**Investment Property**”). The current fair value of the Investment Property as at 30 June 2021 was HK\$5.65 million, which account for approximately 3.1% of the total asset of the Company as at 30 June 2021. There is an unrealised fair value gain of approximately HK\$0.35 million as at 30 June 2021 as compared to that of 31 December 2020.

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 2021.

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, these proceeds have been applied for the purposes in accordance with the future plans and use of proceeds as set out in the prospectus of the Company dated 18 September 2015 (the “**Prospectus**”).

An analysis of the utilisation of the net proceeds from the date of Listing up to 30 June 2021 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 2021 (HK\$'000) | Net proceeds utilised during the six months ended 30 June 2021 (HK\$'000) | Unutilised net proceeds as at 30 June 2021 (HK\$'000) |
|---|---|---|--|--|
| Further development of the Group's building services engineering business | 16,500 | 16,500 | – | – |
| Further expansion of service scope | 8,500 | 8,500 | 1,800 | – |
| Further strengthening the Group's engineering department | 6,600 | 6,600 | – | – |
| Total | 31,600 | 31,600 | 1,800 | – |

As at 30 June 2021, all proceeds from the Placing has been applied according to the disclosure in the Prospectus. During the Relevant Period, net proceeds of the amount of HK\$1.8 million were utilised as the salaries and payments payable to the additional staff members recruited for expansion of service scope.

USE OF PROCEEDS FROM PLACING UNDER GENERAL MANDATE

The gross proceeds and the net proceeds (after deducting the placing fee and other related expenses incurred in the Placing) from the Placing were approximately HK\$12.2 million and approximately HK\$11.9 million, respectively. During the Relevant Period, the Company had applied part of the net proceeds according to the disclosure as set out in the announcement dated 27 April 2021 and the Company will continue to apply the net proceeds according to the disclosure.

An analysis of the utilisation of the net proceeds from the Placing as at 30 June 2021 is set out below:

| | Planned use of net proceeds as stated in the announcement (HK\$'000) | Actual use of net proceeds up to 30 June 2021 (HK\$'000) | Net proceeds utilised during the six months ended 30 June 2021 (HK\$'000) | Unutilised net proceeds as at 30 June 2021 (HK\$'000) | Expected timeline for the intended use |
|--|---|---|--|--|---|
| Payment of the premium of the performance bonds of the new projects awarded to the Company | 4,200 | 2,200 | 2,200 | 2,000 | By December 2021 |
| Payment of upfront costs of the new projects awarded to the Company | 6,300 | 3,981 | 3,981 | 2,319 | By December 2022 |
| General working capital | 1,400 | – | – | 1,400 | By June 2023 |
| | <hr/> | <hr/> | <hr/> | <hr/> | |
| Total | <u>11,900</u> | <u>6,181</u> | <u>6,181</u> | <u>5,719</u> | |

The unutilised portion of the net proceeds from the Placing has been put as bank deposits in bank in Hong Kong.

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 2021, 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 | 42.68% |
| | Beneficial owner | 273,890,000 | 17.90% |
| | Interest of spouse (<i>note 2</i>) | 8,000,000 | 0.52% |
| Ms. So | Interest of spouse (<i>note 3</i>) | 926,890,000 | 60.58% |
| | Beneficial owner | 8,000,000 | 0.52% |
| Mr. Tang Chun Man Joseph | Beneficial owner | 160,000 | 0.01% |
| Lau Kwok Lok Geoffrey | Beneficial owner | 300,000 | 0.02% |

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 2021, 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 2021, 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 | 42.68% |

Save as disclosed above, as at 30 June 2021, 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, save as code provision A.2.1 of the CG Code as disclosed below 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, in view of the experience and expertise of Mr. Wong Kang Kwong, 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. For further details in relation to the Scheme, please refer to the paragraph headed “D. Share Option Scheme” in Appendix IV to the Prospectus.

No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 30 June 2021.

Other than the Scheme, at no time during the six months ended 30 June 2021 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

In the opinion of the Directors, the Investment Property previously leased out to an independent third party under an operating lease, had been occupied and used by the Group used for administrative purpose from 1 July 2021. The Investment Property carrying a value of approximately HK\$5.65 million was reclassified to property, plant and equipment after the Reporting Period.

There are no important events other than disclosed in above 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. Lau Kwok Lok, Geoffrey 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, which 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, 30 August 2021

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. Lau Kwok Lok, Geoffrey and Mr. Tam Chun Chung.