

**LAP KEI ENGINEERING (HOLDINGS) LTD:
THIS IS GOING TO BE THE FIRST
OF A NUMBER OF CASH-RAISING EXERCISES**

It appears that, in order to boost the Net Profits Attributable to Shareholders in respect of the Financial Year, ending December 31, 2015, Lap Kei Engineering (Holdings) Ltd ([]) (Code: 8369, The **G**rowth **E**nterprise **M**arket [The **GEM**] of The Stock Exchange of Hongkong Ltd) has been engaged in some rather fancy financial footwork, just two months prior to unleashing its Placing Prospectus.

The profit-boosting scheme, obviously devised by the Controlling Shareholder, was executed via companies that Mr Wong Kang Kwong (), beneficially, owns.

These privately owned companies purchased two small properties, previously owned by Lap Kei Engineering (Holdings), causing one-off profits to be created – which is non-recurring, by the way.

These one-off profits have been credited to the Consolidated Profit and Loss Account, offsetting, without question, part of the Listing Expenses in respect of this **I**nitial **P**ublic **O**ffering (**IPO**).

Details of this rather simple, but, nevertheless, clever scheme will be fully explained, later in this analysis.

The Business of Lap Kei Engineering

Lap Kei Engineering (Holdings) is the second company, this month, to float on the secondary equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

It is in the business of being a provider of engineering services in the HKSAR.

The Company is about 18 years old, having been founded by Mr Wong Kang Kwong of Yuen Long, The New Territories of the HKSAR, and his wife, Ms So Nui Ho ().

Lap Kei Engineering Company Ltd (), the HKSAR-incorporated company that Mr and Mrs Wong Kang Kwong established on December 22, 1997 – this company is, today, a wholly owned subsidiary of Lap Kei Engineering (Holdings) Ltd – was, initially, engaged '*in the provision of engineering services for building services systems with a focus on air-conditioning systems*'. (Page 72 of the Placing Prospectus)

Within a year or so of its incorporation, Lap Kei Engineering Company Ltd was a Registered Electrical Contractor of the HKSAR.

On April 30, 2004, Wealth E and M Ltd () was the second company that Mr and Mrs Wong Kang Kwong incorporated in the HKSAR and it, too, is a wholly owned subsidiary of Lap Kei Engineering (Holdings) Ltd, today.

Today, the situation at publicly listed Lap Kei Engineering (Holdings) is given at Page 79 of the Placing Prospectus as follows:

'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) MVAC (Mechanical, Ventilation and Air-Conditioning) system; (ii) electrical system; (iii) plumbing and drainage system; and (iv) fire services system.

‘During the Track Record Period (ended March 31, 2015), the Group undertook building services engineering projects from the private sector in Hong Kong. Projects from the private sector accounted for all of the total revenue for each of the two years ended 31 December 2013 and 2014 and the three-month period ended 31 March 2015. The Group’s revenue is derived from building services engineering projects relating to both existing buildings and new buildings. During the Track Record Period, all of the Group’s revenue was derived in Hong Kong.

‘In executing a building services engineering project, subject to the scope of work under the engagement, the Group is generally responsible for the design of the relevant building services systems, planning of the engineering works, arrangement of direct labour and subcontractors, sourcing of materials and equipment, work supervision and quality control, and ensuring compliance with the customers’ requirements. In certain projects, the Group also provides complementary fitting-out services.

‘The allocation of works between in-house team of workers and subcontractors are determined on a case-by-case basis. Based on the Group’s internal policies on engaging subcontractors, the Group generally assigns its in-house workers to perform engineering works for air-conditioning system and electrical system, which usually include the installation and configuration of control panels and ancillary systems, while the Group generally assigns subcontractors to perform works for fire services system, plumbing and drainage system, and fitting-out works, which the Directors considered to be less technical in certain projects. The Group leverages on the expertise of its in-house engineering team to deliver quality work in conformity with customer’s expectation and prescribed timeframe.

‘The Group’s client base primarily consists of main contractors who contract all or part of the engineering works for building services systems to other subcontractors, such as the Group, and in some cases, landlords or occasionally property developers or their consultants, who directly engage the Group as main contractor or as nominated subcontractor. The Group’s building services engineering projects cover different types of buildings, including residential, commercial (e.g. office, hotel and shopping arcades, etc), industrial and institutional (e.g. hospital and academic institutions)...’.

At ... [CLICK TO ORDER FULL ARTICLE](#)

While TARGET makes every attempt to ensure accuracy of all data published, TARGET cannot be held responsible for any errors and/or omissions.

If readers feel that they would like to voice their opinions about that which

*they have read in **TARGET**, please feel free to e-mail your views to editor@targetnewspapers.com. **TARGET** does not guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.*