



# Tai Kam Holdings Limited

## 泰錦控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8321



2017

THIRD QUARTERLY  
REPORT

## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

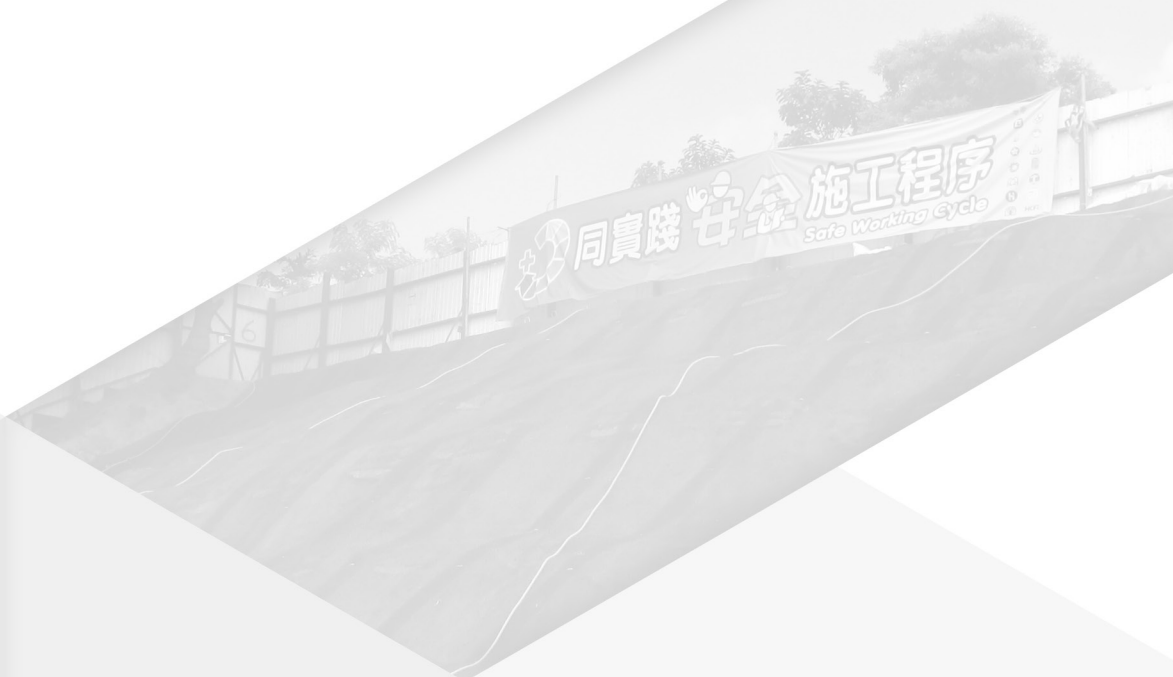
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This report, for which the directors (the “Director(s)”) of Tai Kam Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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## CORPORATE INFORMATION

### DIRECTORS

#### Executive Directors

Mr. Lau King Shun (Chairman and Chief Executive Officer)  
Mr. Lau Kan Sui, Sunny  
Mr. Lau Mei Chai

#### Independent non-executive Directors

Mr. Yim Kin Ping  
Ms. Wong Yuk King  
Mr. Ho Cheuk Wai

### COMPLIANCE OFFICER

Mr. Lau King Shun

### AUTHORISED REPRESENTATIVES

Mr. Lau King Shun  
Ms. Ho Man Wai

### AUDIT COMMITTEE

Mr. Ho Cheuk Wai (Chairman)  
Ms. Wong Yuk King  
Mr. Yim Kin Ping

### NOMINATION COMMITTEE

Mr. Lau King Shun (Chairman)  
Mr. Ho Cheuk Wai  
Ms. Wong Yuk King

### REMUNERATION COMMITTEE

Mr. Yim Kin Ping (Chairman)  
Mr. Ho Cheuk Wai  
Mr. Lau Kan Sui Sunny

### COMPANY SECRETARY

Ms. Ho Man Wai

### AUDITOR

Grant Thornton Hong Kong Limited

### COMPLIANCE ADVISER

Dakin Capital Limited  
(resigned effective from 1 February 2018)  
Grande Capital Limited  
(effective from 1 February 2018)

### LEGAL ADVISER

Guantao & Chow Solicitors and Notaries

### PRINCIPAL BANKER

Bank of Communications Co., Ltd

### REGISTERED OFFICE

Clifton House  
75 Fort Street  
PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Estera Trust (Cayman) Limited  
Clifton House  
75 Fort Street  
PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

### BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Boardroom Share Registrars (HK) Limited  
Room 2103B, 21/F, 148 Electric Road  
North Point, Hong Kong

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSSINESS IN HONG KONG

Room 1101, 11/F  
Wealth Commercial Centre  
48 Kwong Wa Road  
Mong Kok, Kowloon  
Hong Kong

## FINANCIAL HIGHLIGHTS

Revenue amounted to approximately HK\$123.5 million for the nine months ended 31 January 2018 (the "Reporting Period") (2017: approximately HK\$85.0 million), representing an increase of approximately 45.3% as compared with the corresponding period of 2017.

Profit attributable to the equity holders of the Company for the nine months ended 31 January 2018 amounted to approximately HK\$7.4 million (2017: loss attributable to the equity holders of approximately HK\$3.6 million).

Basic and diluted earnings per share amounted to approximately HK0.92 cents for the nine months ended 31 January 2018 (2017: basic and diluted loss per share of approximately HK0.54 cents).

The board of Directors (the "Board") does not recommend the payment of interim dividend for the nine months ended 31 January 2018 (2017: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

The Company, together with its subsidiaries (the “Group”) is a main contractor principally engaged in undertaking slope works in Hong Kong. Slope works generally refer to landslip preventive and remedial works for improving or maintaining the stability of slopes and/or retaining walls.

Tai Kam Construction Engineering Company Limited (“Tai Kam Construction”), our principal operating subsidiary, is an approved specialist contractor included in the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau of the government of Hong Kong (the “Government”) under the category of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” with a confirmed status. Being on such list is a prerequisite for tendering for public slope works contracts. In addition, Tai Kam Construction, is registered under the Buildings Ordinance as a (i) Registered Specialist Contractor under the sub register of “Site Formation Works” category and a (ii) Registered General Building Contractor. Tai Kam Construction is also an approved contractor included in the List of Approved Contractors for Public Works under the category of “Roads and Drainage (Group A)” with a confirmed status.

The majority of our revenue during the Reporting Period was derived from undertaking slope works commissioned by the Civil Engineering and Development Department of the Government (the “CEDD”). In 2010, the Geotechnical Engineering Office of the CEDD launched the Landslip Prevention and Mitigation Programme to systematically deal with the landslide risk associated with both man-made slopes and natural hillside in Hong Kong. According to the Government’s statement upon the launch of the Landslip Prevention and Mitigation Programme, the Government estimated that the annual expenditure on the Landslip Prevention and Mitigation Programme would be at least HK\$600 million, and the Landslip Prevention and Mitigation Programme would be implemented on a rolling basis annually to upgrade 150 Government man-made slopes, to conduct safety-screening studies on 100 private man-made slopes, and to implement studies and necessary risk mitigation works for 30 natural hillside catchments every year. As a result, our slope work business also benefited from the overall positive atmosphere in the industry. The Directors consider that the outlook for the construction industry in Hong Kong remains optimistic.

However, Hong Kong public works contractors are facing the risk of slower approval progress for public works projects by the Legislative Council of Hong Kong which could result in potential delays in public works projects. In addition, the Group has been facing increasing costs of operation, including cost of labour and subcontracting charges as well as keener competition in the market. Therefore, the industry in Hong Kong is expected to continue to be very challenging in the coming year.

The Group will continue to exercise due care in the pursuance of its existing core business so as to balance the risks and opportunities in the industry in Hong Kong and adjust its business strategies from time to time if required.

The Group was successfully listed on GEM on 28 October 2016 (the “Listing”). The listing proceeds received have strengthened the Group’s cash flow and the Group will implement its future plans, acquiring new machinery, equipment and motor vehicles and strengthening our manpower according to the implementation plans on listing proceeds set out in the Company’s prospectus dated 20 October 2016 (the “Prospectus”).

For the nine months ended 31 January 2018 and up to the date of this report, the Group was successfully awarded one public project from Hong Kong Housing Authority (the “Housing Authority”) and two public projects from Lands Department which are both expected to be completed in 2020 and 2021 respectively.

## FINANCIAL REVIEW

### Revenue

Revenue represents receipts from the provision of undertaking slope works in Hong Kong as main contractor. Slope works generally refer to landslip preventive and remedial works for improving or maintaining the stability of slopes and/or retaining walls.

The Group's revenue increased by approximately HK\$38.5 million or approximately 45.3% from approximately HK\$85.0 million for the nine months ended 31 January 2017 to approximately HK\$123.5 million for the nine months ended 31 January 2018. The increase in revenue was mainly due to increase in work performed from CEDD's slope work projects recognised with reference to the progress certificate under relevant contracts for the nine months ended 31 January 2018.

The majority of our revenue during the Reporting Period was derived from undertaking slope works commissioned by the CEDD, Housing Authority and Lands Department.

The executive Directors regard the Group's business of undertaking slope works in Hong Kong as main contractor as a single operating segment and review the overall results of the Group as a whole to make decisions on resource allocation. Accordingly, no segment analysis information is presented.

No separate analysis of segment information by geographical segment is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong.

### Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately HK\$1.3 million or approximately 9.4% from approximately HK\$13.8 million for the nine months ended 31 January 2017 to approximately HK\$12.5 million for the nine months ended 31 January 2018 and the Group's gross profit margin decreased from approximately 16.2% for the nine months ended 31 January 2017 to approximately 10.1% for the nine months ended 31 January 2018. The decrease in gross profit margin was mainly due to more revenue contribution from contracts with lower margin through the substantial use of subcontractors being recognised for the nine months ended 31 January 2018.

The Group's direct costs increased by approximately HK\$39.8 million or approximately 55.9% from approximately HK\$71.2 million for the nine months ended 31 January 2017 to approximately HK\$111.0 million for the nine months ended 31 January 2018. The increase of direct costs is mainly due to the significant increase in subcontracting charges. The increase of subcontracting charges is due to increase in amount of works performed with substantial use of subcontractors for the nine months ended 31 January 2018.

### Administrative Expenses

The Group's administrative expenses decreased by approximately HK\$12.0 million or approximately 76.8% from approximately HK\$15.6 million for the nine months ended 31 January 2017 to approximately HK\$3.6 million for the nine months ended 31 January 2018. Administrative expenses consist primarily of staff costs, professional fees, depreciation, rental expenses and other administrative expenses. The decrease in the Group's administrative expenses was mainly due to the recognition of non-recurring listing expenses of approximately HK\$13.0 million for the nine months ended 31 January 2017 while no such expense recognised for the nine months ended 31 January 2018 and such decrease is partly offset by an increase in the listing compliance costs for the nine months ended 31 January 2018.

### Net Profit/Loss

The net profit amounted to approximately HK\$7.4 million for the nine months ended 31 January 2018 as compared to a net loss of approximately HK\$3.6 million for nine months ended 31 January 2017. Such increase in net profit was primarily attributable to the decrease in administrative expenses for the nine months ended 31 January 2018 as discussed above and partly offset by the effect of the decrease on the gross profit margin for the nine months ended 31 January 2018.



## OTHER INFORMATION

### INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 January 2018, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and 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 notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, were as follows:

#### (i) Long position in the ordinary shares of the Company

Name of Directors	Capacity/Nature of interest	Number of ordinary shares held/interested	Approximate percentage of shareholdings
Mr. Lau King Shun	Interest held jointly with other persons; Interest in a controlled corporation (Notes 1 and 2)	308,150,000	38.51%
Mr. Lau Kan Sui Sanny	Interest held jointly with other persons; Interest in a controlled corporation (Notes 1 and 2)	308,150,000	38.51%

#### Notes:

- (1) These shares are registered in the name of Classy Gear Limited ("Classy Gear"), the issued share capital of which is legally and beneficially owned as to 75% by Mr. Lau King Shun ("KS Lau") and 25% by Mr. Lau Kan Sui Sanny ("Sanny Lau"). Therefore, KS Lau is deemed or taken to be interested in the shares held by Classy Gear under the SFO.
- (2) KS Lau and Sanny Lau are parties acting in concert (having the meaning as ascribed thereto in the Code on Takeovers and Mergers) pursuant to a confirmatory deed dated 6 May 2016 entered into by KS Lau and Sanny Lau. As such, without taking into account any ordinary shares which may be allotted and issued upon the exercise of any options that may be granted under the Scheme adopted by the Company on 26 September 2016, KS Lau and Sanny Lau together control 38.51% of the entire issued share capital of the Company.



## (ii) Long position in the ordinary shares of associated corporation

Name of Directors	Name of associated corporation	Capacity/ Nature of interest	Number of ordinary shares held/ interested	Approximate percentage of shareholdings
Mr. Lau King Shun	Classy Gear	Beneficial owner ( <i>Note 1</i> )	75	75%
Mr. Lau Kan Sui Sanny	Classy Gear	Beneficial owner ( <i>Note 1</i> )	25	25%

*Note:*

(1) The issued share capital of Classy Gear is legally and beneficially owned as to 75% by KS Lau and 25% by Sanny Lau.

Save as disclosed above, as at 31 January 2018, none of the Directors nor chief executive of the Company had any interests or short positions 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 Rules 5.46 to 5.67 of the GEM Listing Rules.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 31 January 2018, the following persons (other than the Directors and chief executive of the Company) had or were deemed or taken to have interests or short positions in the shares or underlying shares 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 GEM Listing Rules.

Name	Capacity/Nature of interest	Number of ordinary shares held/interested	Approximate percentage of shareholdings
Classy Gear	Beneficial owner	308,150,000	38.51%
Ms. Lam Wai Yin	Interest of spouse ( <i>Note 1</i> )	308,150,000	38.51%
Ms. Chung King Fung	Interest of spouse ( <i>Note 2</i> )	308,150,000	38.51%

*Notes:*

- (1) Ms. Lam Wai Yin is the spouse of KS Lau and is deemed or taken to be interested in all Shares in which KS Lau has, or is deemed to have, an interest for the purposes of the SFO.
- (2) Ms. Chung King Fung is the spouse of Sanny Lau and is deemed or taken to be interested in all Shares in which Sanny Lau has, or is deemed to have, an interest for the purposes of the SFO.

Save as disclosed above, as at 31 January 2018, the Company had not been notified by any persons who had interests or short positions in the shares or underlying shares 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 INTEREST**

Our Controlling Shareholders (as defined below), our Directors and their respective close associates confirm that each of them does not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and is required to be disclosed pursuant to Rule 11.04 of the GEM Listing Rules during the nine months ended 31 January 2018.

## **COMPLIANCE ADVISERS' INTERESTS**

As at 31 January 2018, as notified by the Company's compliance adviser, Dakin Capital Limited, except for the compliance adviser agreement entered into between the Company and Dakin Capital Limited dated 15 June 2016, neither Dakin Capital Limited nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in the securities of the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

As at 1 February 2018, as notified by the Company's compliance adviser, Grande Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 29 January 2018, neither the Compliance Adviser nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in the securities of the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## **PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the nine months ended 31 January 2018 and up to the date of this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE CODE**

During the nine months ended 31 January 2018 and up to the date of this report, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules save for the deviation from code provision A.2.1 explained below. Ever since the Company appointed KS Lau as chairman and chief executive officer, the roles of the chairman and chief executive officer have not been separated for performance by two different individuals.

KS Lau has been managing the Group's business and overall financial and strategic planning since April 2000. The Board believes that the vesting of the roles of chairman and chief executive officer in KS Lau is beneficial to the business operations and management of Group and will provide strong and consistent leadership to the Group. In addition, due to the presence of three independent non-executive Directors which represent half of the Board, the Board considers that there is a balance of power and authority such that no one individual has unfettered power of decision. Accordingly, the Company has not segregated the roles of its chairman and chief executive officer as required by Code Provision A.2.1 of Appendix 15 to the GEM Listing Rules.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Group has adopted a code of conduct regarding securities transactions by the Directors (the “Code of Conduct”) on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the nine months ended 31 January 2018 and up to the date of this report.

## **DIVIDENDS**

The Board did not recommend a payment of any interim dividend for the nine months ended 31 January 2018 (2017: nil).

## **EVENTS AFTER REPORTING PERIOD**

Dakin Capital Limited has resigned as the compliance adviser of the Company with effect from 1 February 2018 and Grande Capital Limited has been appointed as the new compliance adviser with effect from 1 February 2018.

## **SHARE OPTION SCHEME**

The Company has conditionally adopted a share option scheme on 26 September 2016 (the “Scheme”). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 January 2018.

## **AUDIT COMMITTEE**

The Audit Committee was established on 26 September 2016 with written terms of reference in compliance with the GEM Listing Rules which are available on the websites of the Stock Exchange and the Company. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Ho Cheuk Wai, Ms. Wong Yuk King and Mr. Yim Kin Ping. The chairman of the Audit Committee is Mr. Ho Cheuk Wai, who has appropriate professional qualifications and experience in accounting matters. The Audit Committee had reviewed the unaudited financial statements of the Group for the nine months ended 31 January 2018 with the management and is of the view that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

By order of the Board

**Tai Kam Holdings Limited**

**Lau King Shun**

Chairman and Executive Director

Hong Kong, 15 March 2018

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 JANUARY 2018

	Notes	For the three months ended 31 January		For the nine months ended 31 January	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>Revenue</b>	3	<b>56,963</b>	34,277	<b>123,512</b>	84,992
Direct costs		<b>(52,155)</b>	(29,774)	<b>(111,007)</b>	(71,185)
<b>Gross profit</b>		<b>4,808</b>	4,503	<b>12,505</b>	13,807
Other income	4	<b>124</b>	1	<b>320</b>	1
Administrative expense		<b>(625)</b>	(2,085)	<b>(3,623)</b>	(15,613)
<b>Profit/(loss) before income tax</b>	5	<b>4,307</b>	2,419	<b>9,202</b>	(1,805)
Income tax expense	6	<b>(810)</b>	(510)	<b>(1,812)</b>	(1,826)
<b>Profit/(loss) and total comprehensive income/ (expense) for the period attributable to equity holders of the Company</b>		<b>3,497</b>	1,909	<b>7,390</b>	(3,631)
		<b>HK cents</b>	HK cents	<b>HK cents</b>	HK cents
<b>Earnings/(loss) per share attributable to equity holders of the Company</b>					
– Basic and diluted	9	<b>0.44</b>	0.24	<b>0.92</b>	(0.54)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE NINE MONTHS ENDED 31 JANUARY 2018**

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (Note)	Retained earnings HK\$'000	Total HK\$'000
Balance as at 1 May 2016	—	—	10,100	19,184	29,284
Loss and total comprehensive expense for the period	—	—	—	(3,631)	(3,631)
Effect of group reorganisation	—	—	1	—	1
Issue of ordinary shares pursuant to the Capitalisation Issue	6,000	(6,000)	—	—	—
Issue of ordinary shares pursuant to the Placing	2,000	68,000	—	—	70,000
Expenses incurred in connection with the issue of ordinary shares	—	(7,282)	—	—	(7,282)
Balance as at 31 January 2017 (unaudited)	<u>8,000</u>	<u>54,718</u>	<u>10,101</u>	<u>15,553</u>	<u>88,372</u>
<b>Balance as at 1 May 2017</b>	<b>8,000</b>	<b>54,718</b>	<b>10,101</b>	<b>16,636</b>	<b>89,455</b>
<b>Profit and total comprehensive income for the period</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,390</u>	<u>7,390</u>
<b>Balance as at 31 January 2018 (unaudited)</b>	<b><u>8,000</u></b>	<b><u>54,718</u></b>	<b><u>10,101</u></b>	<b><u>24,026</u></b>	<b><u>96,845</u></b>

*Note:* Capital reserve represents the difference between the share capital issued by the Company for acquisition of the subsidiaries pursuant to the reorganisation for the Listing and the aggregate capital of the subsidiaries being acquired at the time of the reorganisation.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Tai Kam Holdings Limited was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 1 April 2016. The address of registered office is located at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is located at Room 1101, 11/F, Wealth Commercial Centre, 48 Kwong Wa Street, Mong Kok, Kowloon, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in undertaking slope works in Hong Kong as main contractor and investment holding.

The Company's immediate and ultimate holding company is Classy Gear, a company incorporated in the British Virgin Islands ("BVI") and beneficially owned by Mr. Lau King Shun and Mr. Lau Kan Sui Sanny (collectively referred to as the "Controlling Shareholders").

The Company's shares are listed on the GEM of The Stock Exchange on 28 October 2016.

## 2. BASIS OF PREPARATION AND REORGANISATION

The unaudited condensed consolidated financial statements for the nine months ended 31 January 2018 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the same functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands ("HK\$'000"), except where otherwise indicated.

The unaudited condensed consolidated financial statements should be read in conjunction with the annual combined financial statement for the year ended 30 April 2017.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the Group's annual consolidated financial statement for the year ended 30 April 2017, except for the adoption of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for accounting periods beginning on 1 May 2017. The effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group's results of operations or financial position.

The Group has not early adopted the new or amended Hong Kong Financial Reporting Standards ("HKFRSs") that have been issued but are not yet effective for the current accounting period.

Pursuant to the reorganisation of the Group in connection with the listing of the shares of the Company on GEM (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 17 June 2016. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in the section headed "History and Development" in the Prospectus.

## 2. BASIS OF PREPARATION AND REORGANISATION (CONT'D)

The Group is under the common control of the Controlling Shareholders prior to and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

Accordingly, the unaudited condensed financial statements of the Group have been prepared using the principles of merger accounting in accordance with Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by HKICPA as if the group structure under the Reorganisation had been in existence throughout the nine months ended 31 January 2017, or since their respective dates of incorporation, where it is a shorter period.

## 3. REVENUE AND SEGMENT INFORMATION

Revenue represents receipts from the provision of undertaking slope works in Hong Kong as main contractor.

	For the three months ended 31 January		For the nine months ended 31 January	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Contract revenue	<u>56,963</u>	<u>34,277</u>	<u>123,512</u>	<u>84,992</u>

The chief operating decision-maker ("CODM") has been identified as the executive Directors of the Company. The CODM regards the Group's business of undertaking slope works in Hong Kong as main contractor as a single operating segment and reviews the overall results of the Group as a whole to make decisions about resource allocation. Accordingly, no segment analysis information is presented.

### (a) Geographical information

No separate analysis of segment information by geographical segment is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong.

### (b) Major customers

Revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	Three months ended 31 January		Nine months ended 31 January	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Customer A	<u>49,572</u>	<u>32,864</u>	<u>113,634</u>	<u>78,276</u>
Customer B	<u>N/A*</u>	<u>N/A*</u>	<u>N/A*</u>	<u>N/A*</u>

\* The corresponding revenue did not individually contribute over 10% of the Group's revenue for the corresponding periods.



#### 4. OTHER INCOME

	For the three months ended 31 January		For the nine months ended 31 January	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Bank interest income	24	1	220	1
Gain on disposal on plant and equipment	100	—	100	—
	<u>124</u>	<u>1</u>	<u>320</u>	<u>1</u>

#### 5. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is stated after charging:

	For the three months ended 31 January		For the nine months ended 31 January	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>(a) Staff costs (including directors' remuneration)</b>				
Salaries, wages and other benefits	9,005	5,087	19,124	13,362
Contributions to defined contribution retirement plans	291	170	705	491
	<u>9,296</u>	<u>5,257</u>	<u>19,829</u>	<u>13,853</u>
<b>(b) Other items</b>				
Depreciation	372	263	858	774
Operating lease charges in respect of:				
– Premises	108	110	336	339
– Machinery (included in direct costs)	16	1	20	42
Subcontracting charges (included in direct costs)	36,202	23,728	80,637	55,014
Listing expenses (included in administrative expenses)	—	783	—	12,950
	<u>—</u>	<u>783</u>	<u>—</u>	<u>12,950</u>

## 6. INCOME TAX EXPENSE

	For the three months ended 31 January		For the nine months ended 31 January	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Current tax in Hong Kong – Profits Tax	<b>810</b>	510	<b>1,812</b>	1,826

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the nine months ended 31 January 2018 and 2017.

No deferred tax has been provided in the unaudited condensed consolidated financial statements as there is no material temporary difference movement during the Reporting Period.

## 7. DIVIDEND

The Directors do not recommend a payment of an interim dividend for the nine months ended 31 January 2018 (2017: nil).

## 8. RELATED PARTY TRANSACTION

Name of related party	Nature	For the three months ended 31 January		For the nine months ended 31 January	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Mr. Lau Kan Sui Sanny and Mr. Lau Mei Chai (Directors)	Rental expenses	<b>8</b>	—	<b>8</b>	—

## 9. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share attributable to equity holders of the Company is based on the following:

	For the three months ended 31 January		For the nine months ended 31 January	
	2018 HK\$'000 <i>(Unaudited)</i>	2017 HK\$'000 <i>(Unaudited)</i>	2018 HK\$'000 <i>(Unaudited)</i>	2017 HK\$'000 <i>(Unaudited)</i>
<b>Earnings/(loss)</b>				
Profit/(loss) for the period attributable to equity holders of the Company	<u>3,497</u>	<u>1,909</u>	<u>7,390</u>	<u>(3,631)</u>
<b>Number of shares</b>				
Weighted average number of ordinary shares (in thousands)	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>	<u>669,565</u>

The weighted average number of ordinary shares used to calculate the basic earnings per share for the nine months ended 31 January 2018 represents 800,000,000 shares in issue throughout the period.

The weighted average number of ordinary shares used to calculate the basic loss per share for the nine months ended 31 January 2017 includes (i) 1 and 9,999 ordinary shares in issue at beginning of the period and during the period respectively; (ii) 599,990,000 new ordinary shares issued pursuant to the Capitalisation Issue (Note (i)), as if all these shares had been in issue throughout the nine months ended 31 January 2017, and (iii) 69,565,000 shares, representing the weighted average of 200,000,000 new ordinary shares issued pursuant to the Placing (Note (ii)). There were no dilutive potential ordinary shares during the nine months ended 31 January 2018 and 2017 and therefore, diluted earnings/(loss) per share equals to basic earnings/(loss) per share.

Note:

- (i) Pursuant to the written resolutions of the then sole shareholder passed on 26 September 2016, 599,990,000 ordinary shares of HK\$0.01 each were allotted and issued, credited as fully paid at par, by way of capitalisation from the share premium account to the Company (the "Capitalisation Issue").
- (ii) On 27 October 2016, the Company allotted and issued a total of 200,000,000 ordinary shares of HK\$0.01 each at a price of HK\$0.35 per share in relation to the placing of the Company's shares (the "Placing"). Of the gross total proceeds of HK\$70,000,000, HK\$2,000,000 representing the par value was credited to the Company's share capital, and HK\$68,000,000 before deduction of the share issuance expenses of approximately HK\$7,282,000 was credited to the share premium account.