

Tai Kam Holdings Limited **泰錦控股有限公司**

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8321



2018

ANNUAL REPORT

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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”) of the Stock Exchange 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.

CONTENTS

Pages

2	CORPORATE INFORMATION
4	CHAIRMAN'S STATEMENT
6	MANAGEMENT DISCUSSION AND ANALYSIS
14	DIRECTORS AND SENIOR MANAGEMENT
19	CORPORATE GOVERNANCE REPORT
32	ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
49	DIRECTORS' REPORT
62	INDEPENDENT AUDITOR'S REPORT
67	CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
68	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
69	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
70	CONSOLIDATED STATEMENT OF CASH FLOWS
71	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
112	FINANCIAL SUMMARY



CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Lau King Shun
(Chairman and chief executive officer)
Mr. Lau Kan Sui Sanny
(resigned effective from 16 May 2018)
Mr. Lau Mei Chai
(resigned effective from 16 May 2018)
Ms. Tsui Tsz Fa Mabel
(appointed effective from 16 May 2018)
Ms. Liu Tanying
(appointed effective from 16 May 2018)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yim Kin Ping
Ms. Wong Yuk King
Mr. Ho Cheuk Wai
(resigned effective from 16 May 2018)
Mr. Law Hung Pan
(appointed effective from 16 May 2018)

COMPLIANCE OFFICER

Mr. Lau King Shun

AUTHORISED REPRESENTATIVES

Mr. Lau King Shun
Ms. Ho Man Wai

AUDIT COMMITTEE

Mr. Ho Cheuk Wai (Chairman)
(resigned effective from 16 May 2018)
Mr. Law Hung Pan (Chairman)
(appointed effective from 16 May 2018)
Ms. Wong Yuk King
Mr. Yim Kin Ping

NOMINATION COMMITTEE

Mr. Lau King Shun (Chairman)
Mr. Ho Cheuk Wai
(resigned effective from 16 May 2018)
Mr. Law Hung Pan
(appointed effective from 16 May 2018)
Ms. Wong Yuk King

REMUNERATION COMMITTEE

Mr. Yim Kin Ping (Chairman)
Mr. Ho Cheuk Wai
(resigned effective from 16 May 2018)
Mr. Lau Kan Sui Sanny
(resigned effective from 16 May 2018)
Mr. Law Hung Pan
(appointed effective from 16 May 2018)
Ms. Tsui Tsz Fa Mabel
(appointed effective from 16 May 2018)

COMPANY SECRETARY

Ms. Ho Man Wai

AUDITOR

Grant Thornton Hong Kong Limited
Level 12
28 Hennessy Road
Wanchai
Hong Kong

COMPLIANCE ADVISER

Dakin Capital Limited
(resigned effective from 1 February 2018)
Room 2701
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Admiralty
Hong Kong

CORPORATE INFORMATION

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1204B, 12/F, Tower 2
Lippo Centre
89 Queensway
Hong Kong

LEGAL ADVISER IN HONG KONG

Guantao & Chow Solicitors and Notaries
Suites 1604-6, 16/F
ICBC Tower
3 Garden Road, Central
Hong Kong

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 Street
Mong Kok, Kowloon
Hong Kong

STOCK CODE

8321

COMPANY WEBSITE

www.taikamholdings.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Director(s)") of Tai Kam Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), I am pleased to present our annual results for the year ended 30 April 2018 (the "Reporting Period").

OVERVIEW

The Group's revenue increased by approximately HK\$56.6 million or approximately 45.8% from approximately HK\$123.5 million for the year ended 30 April 2017 to approximately HK\$180.1 million for the Reporting Period.

Such growth was mainly attributable to an increase in works performed from the slope work projects commissioned by the Civil Engineering and Development Department (the "CEDD") of the Hong Kong government (the "Government") and Lands Department recognised with reference to the progress certificate under relevant contracts for the Reporting Period.

The net profit amounted to approximately HK\$11.0 million for the Reporting Period as compared to the net loss amounted to approximately HK\$2.5 million for the year ended 30 April 2017.

The increase in net profit was mainly due to (i) no non-recurring listing expenses being recognised for the Reporting Period; (ii) the increase in revenue contribution from slope work projects from CEDD and two newly awarded slope work projects from Lands Department for the Reporting Period.

FORWARD

Following the remarkable milestone of the shares in the Company (the "Shares") being listed on the Stock Exchange, the Group's strategy is to continuously develop the business significantly in its chosen market in the coming years. Our business will remain focused on landslip preventive and remedial works to slopes in the Hong Kong construction industry.

Looking forward, the Directors consider that the future opportunities and challenges facing the Group will continue to be affected by the development of the policies of the Government, the increasing cost of operation including cost of direct labour and subcontracting charges as well as competition in the market.

The Group will continue to strengthen the competitive edge of the Group over the competitors in the construction industry and at the same time carefully evaluate each project and control the Group's overall costs to a reasonable level, which in turn is expected to increase shareholders' return.

CHAIRMAN'S STATEMENT

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all shareholders, customers, subcontractors and business partners for their continuous support and trust to our Group.

I would also like to express our sincere thanks to the management and staff for their commitment and contribution throughout the years.

Lau King Shun

Chairman and executive Director

Hong Kong, 25 July 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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 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 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. Besides, according to “Head 33 - Civil Engineering and Development Department” of the “Estimates for the year ending 31 March 2019” of “The 2018-19 Budget” published by the Government, the CEDD’s expenditure for landslip prevention and mitigation is slightly increased by approximately 4.0% from approximately HK\$990 million of actual expenditure in 2017 to HK\$1,030.0 million of estimated expenditure in 2018. As a result, our slope work business benefits from the overall positive atmosphere and more business opportunities in the industry.

However, Hong Kong construction companies are facing the risk of slower progress of fund proposals for public works projects by the Finance Committee of the Legislative Council of Hong Kong which results in potential delays in public infrastructure projects. In addition, as disclosed in the prospectus of the Company dated 20 October 2016 (the “Prospectus”), the Group has been facing increasing costs of operation, including cost of direct labour and subcontracting charges as well as keen competition in the market and it will likely affect the Group’s profit. Therefore, our business in Hong Kong is expected to continue to be very challenging in the coming year.

Having all things considered, the Directors remain positive about the construction industry in Hong Kong and 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.

Since May 2017 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. Securing long term projects could ensure the sustainability of the Group and increase employees’ loyalty towards the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

The Shares were successfully listed on GEM of the Stock Exchange 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 as set out in the Prospectus.

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\$56.6 million, or approximately 45.8%, from approximately HK\$123.5 million for the year ended 30 April 2017 to approximately HK\$180.1 million for the Reporting Period. The increase in revenue was mainly due to increase in works performed from the CEDD and Lands Department’s slope work projects recognised with reference to the progress certificate under relevant contracts for the Reporting Period.

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

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 increased by approximately HK\$1.8 million, or approximately 10.2%, from approximately HK\$17.5 million for the year ended 30 April 2017 to approximately HK\$19.3 million for the Reporting Period. However, the Group’s gross profit margin decreased from approximately 14.2% for the year ended 30 April 2017 to approximately 10.7% for the Reporting Period. The increase in gross profit and decrease in gross profit margin was mainly due to more revenue contribution from projects but partly offset by an increase in direct cost resulting in lower margin through the substantial use of subcontractors being recognised for the projects for the Reporting Period.

The Group’s direct costs increased by approximately HK\$54.8 million, or approximately 51.7%, from approximately HK\$106.0 million for the year ended 30 April 2017 to approximately HK\$160.8 million for the Reporting Period. 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 from those projects with substantial use of subcontractors for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

The Group's administrative expenses decreased by approximately HK\$11.1 million, or approximately 64.4%, from approximately HK\$17.3 million for the year ended 30 April 2017 to approximately HK\$6.1 million for the Reporting Period. 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 year ended 30 April 2017 while no such expense was recognised for the Reporting Period and such decrease is partly offset by an increase in the listing compliance costs for the Reporting Period.

Other income

The Group's other income amounted to approximately HK\$0.2 million and approximately HK\$0.3 million for the year ended 30 April 2017 and 2018 respectively. It is comprised of bank deposit interest income of approximately HK\$222,000 and gain of disposal of plant and equipment of approximately HK\$48,000 for the Reporting Period.

Net Profit/Loss

The net profit amounted to approximately HK\$11.0 million for the Reporting Period as compared to a net loss of approximately HK\$2.5 million for year ended 30 April 2017. Such increase in net profit was primarily attributable to the increase in revenue and decrease in administrative expenses recognised for the Reporting Period as discussed above and partly offset by the decrease in gross profit margin for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Final Dividend

The Board did not recommend a payment of a final dividend for the Reporting Period (2017: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 April 2018, the Group's operations, capital expenditure and other capital requirements were funded by internal resources and net proceeds raised from the placing as disclosed in the Prospectus (the "Placing").

As at 30 April 2018, the Group's total equity attributable to owners of the Company amounted to approximately HK\$100.4 million (2017: approximately HK\$89.5 million).

As at 30 April 2018, the Group had cash and bank balances of approximately HK\$94.2 million (2017: approximately HK\$80.7 million). Cash and bank balances are denominated in Hong Kong Dollars. The increase was mainly due to the cash generated from operations and partly offset by cash used in investing activities.

The Directors are of the view that as at the date hereof, the Group's financial resources are sufficient to support its business and operations. Notwithstanding this, the Group may consider other financing activities when appropriate business opportunities arise under favorable market conditions.

PLEDGE OF ASSETS

There was no pledge of assets as at 30 April 2018 (2017: Nil).

CASH POSITION

As at 30 April 2018, the cash and bank balances of the Group amounted to approximately HK\$94.2 million (2017: approximately HK\$80.7 million), representing an increase of approximately HK\$13.5 million as compared to that as at 30 April 2017.

GEARING RATIO

Gearing ratio is calculated as total borrowings (including payables incurred not in our ordinary course of business) divided by the total equity as at the respective reporting dates.

As at 30 April 2018 and as at 30 April 2017, the Group's gearing ratio was zero as it did not have any outstanding borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Reporting 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.

FOREIGN EXCHANGE EXPOSURE

The Group's business operations have been conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group are mainly denominated in Hong Kong Dollars. For the Reporting Period and for the year ended 30 April 2017, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates between the currencies.

The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the Reporting Period (2017:Nil).

CAPITAL COMMITMENTS

As at 30 April 2018, the Group had no material capital commitments (2017: approximately HK\$610,000).

CONTINGENT LIABILITIES

There were no significant contingent liabilities of the Group as at 30 April 2018 (2017:Nil).

CAPITAL STRUCTURE

The shares of the Company were successfully listed on GEM of the Stock Exchange on 28 October 2016. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 30 April 2018, the Company's issued capital was HK\$8,000,000 and the number of its issued ordinary shares was 800,000,000 of HK\$0.01 each.

EMPLOYEES AND REMUNERATION POLICY

The Group had 144 employees (including executive Directors) as at 30 April 2018 (2017: 94 employees). Total staff costs (including Directors' emoluments) were approximately HK\$30.3 million for the Reporting Period as compared to approximately HK\$16.6 million for the year ended 30 April 2017. The remuneration policy and package of the Group's employees were annually reviewed and when necessary. The salaries increment and discretionary bonuses may be awarded to employees according to Group's performance as well as the assessment of individual performance.

Furthermore, the Group offers other staff benefits like sponsorship of training courses. Detailed policies are set out in the section headed "Environmental, Social and Governance Report" of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the section headed “COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS” in this report, the Group did not have any significant investments, acquisitions or disposals of subsidiaries and affiliated companies during the Reporting Period and the Group did not have other plans for material investments or capital assets.

SEGMENT INFORMATION

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 about 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.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS

Due to keen competition among tenderers, the Group was awarded only one new CEDD slope works contract (“new CEDD project”) for the year ended 30 April 2017 and one new slope works contract from the Housing Authority (“new HA project”) and two new slope works contracts from the Lands Department (“new LD projects”) up to 30 April 2018. The new CEDD project and new HA project commenced work during the Reporting Period while the new LD projects commenced work in November 2017.

	Business objectives up to 30 April 2018 as stated in the Prospectus	Actual business progress up to 30 April 2018
Addition of machinery, equipment and motor vehicles for undertaking additional Government slope works contracts	Approximately HK\$3.30 million would be used from the Latest Practicable Date (as defined in the Prospectus) up to 30 April 2018 for the addition of necessary machinery, equipment and motor vehicles associated with our intended business strategy of undertaking additional Government slope works contracts as disclosed in the section headed “Business — Business strategy” in the Prospectus.	The Group has undertaken four new projects up to 30 April 2018 which fully utilized the amount for acquiring necessary machinery, equipment and motor vehicles.

MANAGEMENT DISCUSSION AND ANALYSIS

	Business objectives up to 30 April 2018 as stated in the Prospectus	Actual business progress up to 30 April 2018
Additional staff costs for undertaking additional Government slope works contracts	Approximately HK\$19.17 million would be used from the Latest Practicable Date (as defined in the Prospectus) up to 30 April 2018 for recruiting and retaining additional staff necessary for our intended business strategy of undertaking additional Government slope works contracts as disclosed in the section headed “Business — Business strategy” in the Prospectus.	The Group incurred approximately HK\$8.41 million for recruiting and retaining additional staff for one new CEDD project, one new HA project and two new LD projects (including site agents, safety officers and labour officers) up to 30 April 2018.
Other related initial costs for undertaking additional Government slope works contracts	Approximately HK\$3.60 million would be used from the Latest Practicable Date (as defined in the Prospectus) up to 30 April 2018 for other related initial costs (including those in relation to setting up site offices and taking out necessary project related insurance policies) associated with our intended business strategy of undertaking additional Government slope works contracts as disclosed in the section headed “Business — Business strategy” in the Prospectus.	The Group incurred project related insurance costs and setting up site offices costs which amounted to approximately HK\$2.84 million for undertaking four new projects awarded to the Group up to 30 April 2018.
Amount earmarked for satisfying applicable working capital requirement for undertaking additional Government slope works contracts	Approximately HK\$8.00 million will be earmarked from the Latest Practicable Date (as defined in the Prospectus) up to 30 April 2018 for satisfying the applicable working capital requirement in connection with the additional Government slope works contracts to be undertaken by us (specifically, the requirement of maintaining a minimum working capital of 10% of the combined annual value of uncompleted works on outstanding contracts, applicable to Tai Kam Construction at present as an approved specialist contractor included in the List of Approved Specialist Contractors for Public Works under the category of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls”).	The Group has undertaken four new projects up to 30 April 2018 which fully utilised the amount earmarked for satisfying the working capital requirement.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

During the Reporting Period, the net proceeds from the Placing were applied as follows:

	Planned use of proceeds as stated in the Prospectus up to 30 April 2018 HK\$' million	Actual use of proceeds up to 30 April 2018 HK\$'million
Addition of machinery, equipment and motor vehicles	3.30	3.30
Additional staff costs	19.17	8.41
Other related initial costs	3.60	2.84
Working capital	8.00	8.00

As at the date of this report, the unutilised proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong.

The Directors regularly evaluates the Group's business objective and may change or modify plans against the changing market condition to ascertain the business growth of the Group. During the Reporting Period, the Directors considered that no modification of the use of proceeds described in the Prospectus was required.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lau King Shun (劉景順) (“Mr. KS Lau”), aged 56, is the chairman of the Board, the chief executive officer and a controlling shareholder of the Company. Mr. KS Lau was appointed as a Director on 1 April 2016 and re-designated as an executive Director on 26 September 2016. Mr. KS Lau is primarily responsible for the overall business development and management as well as financial and strategic planning of our Group. He is also a director of Tai Kam Construction, Ease Geotechnical Engineering Company Limited (“Ease Geotechnical”), Sunsky Global Limited (“Sunsky Global”) and Solar Red Investments Limited (“Solar Red”).

Mr. KS Lau obtained a degree of Bachelor of Science in Civil Engineering from The Polytechnic of Central London (now known as University of Westminster) in July 1985. He obtained a Diploma in Concrete Structures from Imperial College of Science and Technology and a degree of Master of Science in Concrete Structures from University of London in August 1986. Mr. KS Lau also obtained a degree of Bachelor of Laws from University of Wolverhampton in October 1997. Mr. KS Lau has been a member of the Hong Kong Institution of Engineers since April 1991 and a member of the Institution of Civil Engineers of the United Kingdom since December 1992. Mr. KS Lau is currently registered as a Registered Professional Engineer and an Accredited Safety Auditor of Occupational Safety and Health Council in Hong Kong. He has been registered as a Safety Officer under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulation since January 1998 and has been a Registered Safety Auditor under the Factories and Industrial Undertakings (Safety Management) Regulation since November 2000. Mr. KS Lau has been a Chartered Member of Institution of Occupational Safety and Health of the United Kingdom since January 2007. He is currently a council member of Association of Engineering Professionals in Society Limited.

Mr. KS Lau has over 31 years of experience in the construction industry in Hong Kong. Prior to establishing Ease Geotechnical of our Group in 2002, Mr. KS Lau had worked at the Government from September 1986 to January 2000, initially as a civil engineering graduate (from September 1986 to September 1989), then as an assistant engineer (from September 1989 to April 1991), subsequently as an engineer (from April 1991 to November 1996) and as a senior engineer and safety adviser (from December 1996 to March 2000). From April 2000, Mr. KS Lau started his own business in the construction field and has been a director of Ease Geotechnical since March 2002. He has been a director of Tai Kam Construction since April 2005 when Ease Geotechnical acquired Tai Kam Construction.

Mr. KS Lau is the brother of Mr. Sanny Lau and Mr. MC Lau.

Mr. KS Lau is a director of Classy Gear Limited (“Classy Gear”), one of the controlling shareholders of the Company.

Mr. Lau Kan Sui Sanny (劉根水) (“Mr. Sanny Lau”), aged 51, was appointed as a Director on 1 April 2016 and re-designated as an executive Director on 26 September 2016. He has resigned as an executive Director and ceased to be a member of the Remuneration Committee of the Company with effect on 16 May 2018.

He is primarily responsible for construction projects management. Mr. Sanny Lau is one of the controlling shareholders of the Company and is also a director of Tai Kam Construction, Ease Geotechnical, Sunsky Global and Solar Red.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Sanny Lau obtained a Certificate for Safety Supervisor from Occupational Safety & Health Council in July 1998. He completed a course for Qualifying Site Supervisors as Technically Competent Persons and obtained Equivalent Certificate (1) through part-time studies organised by Construction Industry Training Authority in May 2002. In May 2004, Mr. Sanny Lau completed a course for Qualifying Site Supervisors as Technically Competent Persons and obtained Equivalent Certificate (2) and completed Landslip Preventive Measures Course for Supervisory Personnel in May 2004 by part-time studies organised by Construction Industry Training Authority. Mr. Sanny Lau later completed a course for Qualifying Site Supervisors as Technically Competent Persons and obtained Equivalent Certificate (3) in December 2004 through part-time studies organised by Construction Industry Training Authority.

Mr. Sanny Lau has over 16 years of experience in the construction industry since he joined our Group in March 2002 as a director of Ease Geotechnical. He has also been a director of Tai Kam Construction since April 2005.

Mr. Sanny Lau is the brother of Mr. KS Lau and Mr. MC Lau.

Mr. Sanny Lau is a director of Classy Gear.

Mr. Lau Mei Chai (劉美齊) (“Mr. MC Lau”), aged 44, was appointed as a Director on 1 April 2016 and re-designated as an executive Director on 26 September 2016. He has resigned as an executive Director with effect on 16 May 2018.

He is primarily responsible for construction projects management. Mr. MC Lau is also a director of Tai Kam Construction, Sunsky Global and Solar Red.

Mr. MC Lau obtained a Certificate in Civil Engineering Studies from Hong Kong Institute of Vocational Education in July 2000 and a Higher Certificate in Civil Engineering from Hong Kong Institute of Vocational Education in July 2003. Mr. MC Lau also obtained a Diploma in Occupational Health and Safety from Li Ka Shing Institute of Professional and Continuing Education, Open University of Hong Kong in April 2005 through part-time studies. Mr. MC Lau obtained a degree of Bachelor of Science in Civil Engineering from Leeds Metropolitan University in February 2013 by part-time studies and distance learning. He has been registered as a Safety Officer under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations since October 2006.

Mr. MC Lau has over 16 years of experience in the construction industry since he joined our Group in March 2002. Mr. MC Lau has also been a director of Tai Kam Construction since April 2005, and has also taken up the roles of site agent and project manager in various projects.

Mr. MC Lau is the brother of Mr. KS Lau and Mr. Sanny Lau.

Mr. MC Lau is a director of Classy Gear.

Ms. Liu Tanying (劉潭影) (“Ms. Liu”), aged 39, was appointed as an executive Director on 16 May 2018.

She has over 14 years’ experience in the construction industry in the People’s Republic of China (the “PRC”). She graduated from South China University of Technology with a Bachelor’s degree in Architecture. Prior to joining the Company, Ms. Liu has served as deputy department architecture supervisor in a construction company incorporated in the PRC.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Tsui Tsz Fa Mabel (徐子花) (“Ms. Tsui”), aged 40, was appointed as an executive Director on 16 May 2018.

She has extensive experience in the construction industry in Hong Kong. Prior to joining the Company, Ms. Tsui has served several senior positions in engineering companies in Hong Kong and has been responsible for overall planning and management of construction projects and also supervision of construction teams since 2000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yim Kin Ping (嚴建平) (“Mr. Yim”), aged 63, was appointed as an independent non-executive Director on 25 September 2016. Mr. Yim has more than 41 years of experience in the construction industry in Hong Kong. From June 1977 to June 1983, Mr. Yim worked at Mass Transit Railway Corporation Hong Kong (now known as MTR Corporation) at which his last position was engineer II (Civil). From June 1983 to March 1991, Mr. Yim served as geotechnical engineer in Engineering Development Department and Civil Engineering Services Department of the Government respectively. From March 1991 to July 2010, Mr. Yim worked at Civil Engineering Services Department, Civil Engineering Department and Architectural Services Department of the Government as senior geotechnical engineer. Mr. Yim has been a director of Smooth Idea (Hong Kong) Limited, a Hong Kong company, since July 2011. Starting from February 2012, Mr. Yim has also been employed by Greg Wong & Associates Ltd with a job title of technical director. Since October 2015, Mr. Yim has also been a part-time lecturer for the final year degree programme of BEng(Hons) in civil engineering in the Technical and Higher Education Institute of Hong Kong (THEi).

Mr. Yim obtained a degree of Bachelor of Science in Engineering from University of Hong Kong in October 1977 and a degree of Master of Science from University of London in November 1989. Mr. Yim has been a member of the Institution of Civil Engineers of the United Kingdom since December 1982. He is currently a member of the Hong Kong Institution of Engineers (“HKIE”) and has been a fellow of the HKIE since November 2005.

Mr. Yim was elected as a member of the Election Committee (Engineering) for the election of the Chief Executive of Hong Kong from 2006 to 2021.

Mr. Yim was appointed by the Chief Executive as a Justice of the Peace in June 2012. He has been a member of the Engineers Registration Board (established under the Engineers Registration Ordinance (Chapter 409 of the Laws of Hong Kong) from 2007 to 2011).

Ms. Wong Yuk King (黃玉琮) (“Ms. Wong”), aged 58, was appointed as an independent non-executive Director on 25 September 2016. Ms. Wong completed Part I of the Membership Examination of The Institute of Legal Executives and Part II of the Membership Examination of The Institute of Legal Executives respectively in November 1987 and October 1989 in the United Kingdom. She was awarded the Institute’s Diploma in Land Law in June 1991, the Institute’s Diploma in Constitutional & Administrative Law in October 1996 and the Institute’s Diploma in Equity & Trust in June 1997 from The Institute of Legal Executives in the United Kingdom. Ms. Wong was awarded Postgraduate Certificate in Laws by The University of Hong Kong in June 2000 and obtained a degree of Master of Management from Macquarie University in June 2003. Ms. Wong was admitted as a Solicitor of the High Court of Hong Kong in July 2002.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Wong has over 33 years of experience in the legal industry in Hong Kong and England. Prior to working in Hong Kong, she had 10 years of experience in solicitors' firms in London as legal executive and trainee legal executive from 1984 to 1994. In Hong Kong, Ms. Wong worked at Livasiri & Co. Solicitors & Notaries from January 1996 to July 1998, at Philip K H Wong, Kennedy Y H Wong & Co. Solicitors & Notaries from September 2000 to April 2002, at Jimmie K S Wong & Co. Solicitors, Agents for Trade Marks & Patents from April 2003 to November 2003, at Tai, Mak & Partners, Solicitors, Agents for Trade Marks & Patents from January 2004 to March 2005, at Susan Liang & Co. Solicitors from April 2005 to April 2006, at Tsui & Co. Solicitors from May 2006 to November 2007, at Chung & Kwan Solicitors from January 2008 to October 2010, at F. Zimmern & Co. Solicitors & Notaries from February 2011 to February 2012, at King & Company Solicitors & Notaries from April 2013 to February 2016 and at Messrs. M.C.A. Lai & Co. Service Limited from March 2016 up to the present.

Mr. Ho Cheuk Wai (何焯偉) ("Mr. Ho"), aged 57, was appointed as an independent non-executive Director on 25 September 2016. He has resigned as an independent non-executive Director with effect on 16 May 2018.

Mr. Ho obtained a degree of Master of Business Administration from The University of Wales, Bangor (now known as the Bangor University) in co-operation with The Manchester Business School in July 1997 and a degree of Master of Science in Business Information Technology from Middlesex University in January 2003, both of which were distance learning programmes. Mr. Ho has been an associate of Hong Kong Institute of Certified Public Accountant (formerly known as Hong Kong Society of Accountant) since December 1994. He has been admitted as an Associate of the Association of Chartered Certified Accountants of the United Kingdom since January 1995 and a fellow of the Association of Chartered Certified Accountant of the United Kingdom since January 2000.

Mr. Ho has 38 years of experience in financial operations and business development of properties and infrastructure. From October 1979 to February 1986, Mr. Ho worked at Hutchison Whampoa Limited, at which his last position was senior accountant. From March 1986 to June 1990, Mr. Ho was the management accountant of The Dynasty Club Shenzhen. From July 1990 to November 1998, Mr. Ho worked for CBI Investment Limited and Mission Hills Group respectively as a financial controller. From January 1999 to March 2008, he served as the financial officer of Chung Fu Properties Group Company Limited. From September 2008 to April 2012, Mr. Ho worked in The China Water Company Limited and Cetec Limited respectively as the financial controller. In May 2012, Mr. Ho was appointed as the financial controller of Leepark Holdings Limited, and subsequently from December 2012 to May 2013, he became the group financial controller, authorised representative and company secretary of South West Eco Development Limited (now known as C&D International Investment Group Limited) (stock code: 1908), the issued shares of which are listed on the Main Board of the Stock Exchange and which was the parent company of Leepark Holdings Limited. From May 2013 to January 2014, Mr. Ho was the financial controller and company secretary of Ngai Shun Holdings Limited (stock code: 1246), the issued shares of which are listed on the Main Board of the Stock Exchange. Mr. Ho was the financial controller from August 2014 to October 2016 and was appointed as company secretary from September 2015 to October 2016 of K.H. Group Holdings Limited (stock code: 1557), the issued shares of which are listed on the Main Board of the Stock Exchange. Mr. Ho has also been currently serving as chief financial officer and company secretary of Transtech Optelecom Science Holdings Ltd., a company listed on GEM (stock code: 8465) since October 2016.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Law Hung Pan 羅孔斌 (“Mr. Law”), aged 35, was appointed as an independent non-executive Director on 16 May 2018.

Mr. Law is a qualified member of the Hong Kong Institute of Certified Public Accountants and holds a Bachelor of Commerce in Accounting from Macquarie University. He has over 10 years’ experience in the auditing, financing and accounting field. He is currently a manager of investment accounting in a sizeable multinational corporation.

SENIOR MANAGEMENT

Ms. Yip Mei Po Mabel (葉美寶) (“Ms. Yip”), aged 40, is our senior project manager, primarily responsible for overseeing site safety and environmental compliance and project management. Ms. Yip obtained a degree of Bachelor of Science in Building Technology and Management from The Hong Kong Polytechnic University in November 2000. She is currently a Safety Officer under the Factories and Industrial Undertakings (Safety Management) Regulation. Ms. Yip joined our Group in April 2003 and has since then accumulated more than 15 years of experience in our operation.

Ms. Ho Man Wai (何文慧) (“Ms. Ho”), aged 30, is our financial controller and company secretary of our Company. She is responsible for our financial reporting, financial planning, treasury, financial control and the overall company secretarial matters of our Group. She joined our Group in February 2016. She has over seven years of experience in auditing, accounting and financial management. Prior to joining our Group, Ms. Ho had accumulated experience in the accounting industry in Hong Kong through her employment with HLM Asia Group Limited (at which her last position was senior accountant II) from December 2010 to December 2014 and a construction company listed on the Stock Exchange (at which her position was assistant financial controller) from December 2014 to January 2016.

Ms. Ho obtained a degree of Bachelor of Business Administration in Accountancy from The Hong Kong Polytechnic University in November 2010. Ms. Ho has been a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants since July 2014.

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present hereby the corporate governance report of the Company for the Reporting Period.

Since the Listing, the Board has recognised that transparency and accountability is important to a listed company. Therefore, the Company is committed in establishing and maintaining good corporate governance practices and procedures. The Directors believe that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture of the Company.

CORPORATE GOVERNANCE CODE

The Board has adopted and complied with the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules save for the deviation from code provision A.2.1 explained in the paragraph below. The Directors will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of shareholders and other stakeholders of the Company.

Under the code provision A.2.1 of the CG Code, the role of chairman and chief executive should be separate and should not be performed by the same individual and the division of responsibilities between the chairman and chief executive should be clearly established. Ever since the Company appointed Mr. 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.

Mr. KS Lau has been managing the Group’s business and its overall financial and strategic planning since March 2002. The Board believes that the vesting of the roles of chairman and chief executive officer in Mr. 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 (“INEDs”) 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 the CG Code.

Save as disclosed above, the Board is pleased to report compliance with all applicable code provisions of the CG Code during the Reporting Period, except where otherwise stated.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board is responsible for leadership and control of the Group and is responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. Though the Board delegates the day-to-day management, administration and operation of the Group to management, all the Directors continue to give sufficient time and attention to the Company's affairs. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group. In addition, the Board has also delegated various responsibilities to the board committees of the Company (the "Board Committees"). Further details of the Board Committees are set out in (the section headed "Board Committees") of this report.

With the various experience of both the executive Directors and INEDs and in view of the nature of the Group's business, the Board considered that the Directors have a balance of skills and experience for the business of the Group. The biographical details of the Directors and members of senior management are set out in the section headed with "Directors and Senior Management" of this report.

Composition of the Board

As of the date of this report, the Board is comprised of six Directors, including three executive Directors, namely Mr. Lau King Shun, Ms. Tsui Tsz Fa Mabel and Ms. Liu Tanying, and three INEDs, namely Mr. Yim Kin Ping, Ms. Wong Yuk King and Mr. Law Hung Pan.

In compliance with Rules 5.05(1) and 5.05A of the GEM Listing Rules, the Board consisted of three INEDs during the Reporting Period. During the Reporting Period and as of the date of this report, the number of INEDs represents more than one third of the Board and the INEDs are appointed with appropriate professional qualification, or accounting or related financial management expertise. The Board considered that the Directors have a balance of skills and experience for the business of the Group. The biographical details of the Directors and other senior management are set out in the section headed with "Directors and Senior Management" of this report. As such, there is a strong independent element in the Board to provide independent judgement.

Specific enquiry has been made by the Company to each of the INEDs to confirm their independence pursuant to Rule 5.09 of the GEM Listing Rules. In this connection, the Company has received positive confirmations from all of the three INEDs. Based on the confirmations received, the Company considers all INEDs to be independent under the GEM Listing Rules.

Mr. Lau King Shun is the chairman (the "Chairman") of the Board.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the “Board Diversity Policy”) in accordance with the requirement as set out in the CG Code. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on the basis of merit, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company’s business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

As at the date of this report, the Board comprises six Directors, three of whom are women. Three of the Directors are INEDs and independent of management, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether in terms of gender, professional background and skills.

Implementation and Monitoring

The Nomination Committee reviewed the Board’s composition under diversified perspectives, and monitored the implementation of the Board Diversity Policy annually to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy throughout the Reporting Period.

Relationships between board members

Mr. Lau King Shun, Mr. Lau Kan Sui Sanny and Mr. Lau Mei Chai are brothers. Mr. Lau King Shun and Mr. Lau Kan Sui Sanny are controlling shareholders of the Company with the meaning ascribed thereto under the GEM Listing Rules.

The biographical details of each of the Directors are set out in the section headed “Directors and Senior Management” of this report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of provisions of conduct (“Code of Conduct”) regarding securities transactions by the Directors 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 throughout the Reporting Period.

CORPORATE GOVERNANCE REPORT

Board and General Meetings

Pursuant to Code Provision A.1.1 of the Code, the Board should meet regularly and Board meetings should be held at least four times a year. Directors may participate either in person or through electronic means of communications. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions.

During the Reporting Period, 11 board meetings were held. During the period between 1 May 2018 and the date of this report, 3 board meetings were held. The Company's annual general meeting will be held on 11 October 2018.

The attendance of the respective Directors at the Board meetings are set out below:

Name of Directors	Attendance/ Number of meetings between 1 May 2017 and the date of this report
Executive Directors	
Mr. Lau King Shun (Chairman)	14/14
Mr. Lau Kan Sui Sanny (resigned effective from 16 May 2018)	12/12
Mr. Lau Mei Chai (resigned effective from 16 May 2018)	12/12
Ms. Liu Tanying (appointed effective from 16 May 2018)	2/2
Ms. Tsui Tsz Fa Mabel (appointed effective from 16 May 2018)	2/2
INEDs	
Mr. Yim Kin Ping	14/14
Ms. Wong Yuk King	14/14
Mr. Ho Cheuk Wai (resigned effective from 16 May 2018)	12/12
Mr. Law Hung Pan (appointed effective from 16 May 2018)	2/2

Appointment and Re-election of Directors

The Company's Articles provide that at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Each of the independent non-executive Directors has entered into an appointment letter with the Company. The appointment letter of each of the INEDs is for a term of three years, which may be terminated by not less than three months' notice in writing or one month's notice in writing for Mr. Law Hung Pan (one of the INEDs) served by either party on the other. The aforesaid appointment letters are subject to termination provisions therein and the retirement and re-election provisions in the Articles.

CORPORATE GOVERNANCE REPORT

Director's continuing professional development programme

All Directors confirmed that they have complied with code provision A.6.5 of the CG Code for the Reporting Period.

To assist Directors' continuing professional development, the Company recommends Directors to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors namely, Mr. Lau King Shun, Mr. Lau Kan Sui Sanny (resigned effective from 16 May 2018), Mr. Lau Mei Chai (resigned effective from 16 May 2018), Ms. Liu Tanying (appointed effective from 16 May 2018), Ms. Tsui Tsz Fa Mabel (appointed effective from 16 May 2018), Mr. Yim Kin Ping, Ms. Wong Yuk King, Mr. Ho Cheuk Wai (resigned effective from 16 May 2018) and Mr. Law Hung Pan (appointed effective from 16 May 2018) have studied relevant materials from time to time recommended by the Company and attended training/programmes including on the amendments to, or updates on the relevant laws, rules and regulations on directors' duties and responsibilities to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continual briefing and professional development to Directors will be arranged whenever necessary.

All the Directors also understand the importance of continuous professional development and are committed to participate in any suitable training to develop and refresh their knowledge and skills. Records of the training received by the respective Directors are kept and updated by the company secretary of the Company.

Board committees

The Board has established a number of functional committees in compliance with the relevant GEM Listing Rules and to assist the Board to discharge its duties. Currently, three committees have been established. An audit committee ("Audit Committee") has been established on 26 September 2016 with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraphs C.3.3 and C.3.7 of the CG Code; a remuneration committee ("Remuneration Committee") has been established on 26 September 2016 with its terms of reference in compliance with Rules 5.34 and 5.35 of the GEM Listing Rules and paragraph B.1.2 of the CG Code; and a nomination committee ("Nomination Committee") has been established on 26 September 2016 with its terms of reference in compliance with paragraph A.5.2 of the CG Code. The functions and responsibilities of these committees have been set out in the relevant terms of reference which are no less stringent than that stated in the CG Code. The relevant terms of reference of each of the three committees can be found on the Group's website (www.taikamholdings.com) and the website of the Stock Exchange. All committees have been provided with sufficient resources and support from the Group to discharge their duties and have access to independent professional advice according to the Company's policy if considered necessary.

CORPORATE GOVERNANCE REPORT

Audit Committee

At any given point in time during the Reporting Period and up to the date of this report, the Audit Committee comprises three members, namely Mr. Ho Cheuk Wai (Chairman) (resigned effective from 16 May 2018), Mr. Law Hung Pan (Chairman) (appointed effective from 16 May 2018), Ms. Wong Yuk King and Mr. Yim Kin Ping, all of whom are INEDs.

The major roles and functions of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the Company's internal control and risk management system, overseeing the balance, transparency and integrity of the Company's financial statements and the application of financial reporting principles, reviewing the relationship with the external auditor, and its independence assessment and the adequacy of resources, qualifications and experience of the Company's accounting staff, their training programmes, and budget.

During the Reporting Period, the Audit Committee held four meetings. Between 1 May 2018 and the date of this report, the Audit Committee held one meeting. The attendance records of the members of the Audit Committee are summarised below:

Name of Directors	Attendance/ number of meetings between 1 May 2017 and the date of this report
Mr. Ho Cheuk Wai (Chairman) (resigned effective from 16 May 2018)	4/4
Mr. Law Hung Pan (Chairman) (appointed effective from 16 May 2018)	1/1
Mr. Yim Kin Ping	5/5
Ms. Wong Yuk King	5/5

The summary of work of the Audit Committee during the Reporting Period and up to the date of this report is as follows:

1. met with the external auditor to discuss the nature and scope of the audit and reporting obligation before the audit commenced and review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
2. reviewed and approved audit fee;
3. recommended the re-appointment of Grant Thornton Hong Kong Limited as auditor, subject to the shareholders' approval at the annual general meeting;
4. reviewed the non-competition undertaking by the controlling shareholders of the Company;
5. reviewed the effectiveness of the Company's risk management and internal control systems;
6. reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget; and
7. reviewed the Group's first quarterly results for three months ended 31 July 2017, interim results for six months ended 31 October 2017, third quarterly results for the nine months ended 31 January 2018 and annual results for the year ended 30 April 2018.

The Board is of the view that the Audit Committee has properly discharged its duties and responsibilities during the Reporting Period and up to the date of this report.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

At any given point in time during the Reporting Period and up to the date of this report, the Remuneration Committee comprises three members, namely Mr. Yim Kin Ping (Chairman), Mr. Lau Kan Sui Sanny (resigned effective from 16 May 2018), Mr. Ho Cheuk Wai (resigned effective from 16 May 2018), Mr. Law Hung Pan (appointed effective from 16 May 2018) and Ms. Tsui Tsz Fa Mabel (appointed effective from 16 May 2018). Mr. Yim Kin Ping, Mr. Ho Cheuk Wai and Mr. Law Hung Pan are or were INEDs while Mr. Lau Kan Sui Sanny and Ms. Tsui Tsz Fa Mabel are or were executive Directors.

The major roles and functions of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review the management's remuneration proposals, and ensure none of the Directors determine their own remuneration.

The Remuneration Committee makes recommendation to the Board regarding Directors' remuneration by reference to market benchmarks. The Company also looks into individual Director's competence, duties, responsibilities, performance and the results of the Group in determining the exact level of remuneration for each Director.

During the Reporting Period, the Remuneration Committee held one meeting. Between 1 May 2018 and the date of this report, the Remuneration Committee held two meetings.

The attendance records of the members of the Remuneration Committee are summarised below:

Name of Directors	Attendance/ number of meetings between 1 May 2017 and the date of this report
Mr. Yim Kin Ping (Chairman)	3/3
Mr. Ho Cheuk Wai (resigned effective from 16 May 2018)	2/2
Mr. Law Hung Pan (appointed effective from 16 May 2018)	1/1
Mr. Lau Kan Sui Sanny (resigned effective 16 May 2018)	2/2
Ms. Tsui Tsz Fa Mabel (appointed effective from 16 May 2018)	1/1

The summary of work of the Remuneration Committee during the Reporting Period and up to the date of this report is as follows:

1. reviewed and recommended to the Board on the Group's remuneration policy and strategy; and
2. assessed the performance of the executive Directors and reviewed and recommended to the Board on the remuneration packages of the executive Directors and senior management of the Company.

The Board is of the view that the remuneration Committee has properly discharged its duties and responsibilities during the Reporting Period and up to the date of this report.

CORPORATE GOVERNANCE REPORT

Remuneration of the senior management

For the Reporting Period, the remuneration of the senior management is listed below :

	Number of individuals
HK\$500,001 to HK\$1,000,000	2

Details of the remuneration of the Directors and five highest paid individuals for Reporting Period are provided in Note 12 to the consolidated financial statements in this report.

Remuneration policy

The remuneration policy of the Group for the Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the performance of the Group and the individual performance of the Directors and senior management members.

Nomination Committee

At any given point in time during the Reporting Period and up to the date of this report, the Nomination Committee comprises three members, namely Mr. Lau King Shun (Chairman), Ms. Wong Yuk King, Mr. Ho Cheuk Wai (resigned effective from 16 May 2018) and Mr. Law Hung Pan (appointed effective from 16 May 2018). Ms. Wong Yuk King, Mr. Law Hung Pan and Mr. Ho Cheuk Wai are or were INEDs while Mr. Lau King Shun is an executive Director.

The major roles and functions of the Nomination Committee are to regularly review the structure, size, composition and diversity of the Board and make recommendations to the Board regarding appointment of Directors and management of Board succession.

The Board adopted the Board Diversity Policy in accordance with the requirement as set out in the CG Code. The Nomination Committee regularly monitors and reviews the implementation of the Board Diversity Policy. Details of the Board Diversity Policy are set out in the section headed "Board Diversity Policy" of this report.

The Nomination Committee has, inter alia, reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Group, assessed the independence of the INEDs and considered the Directors who will retire and stand for re-election at the forthcoming annual general meeting. The Nomination Committee has also reviewed the Board Diversity Policy as set out in the paragraph headed "Board Diversity Policy" above.

The members of the Nomination Committee should meet at least once a year. During the Reporting Period, the Nomination Committee held one meeting. Between 1 May 2018 and the date of this report, the Nomination Committee held two meetings.

CORPORATE GOVERNANCE REPORT

The attendance records of the members of the Nomination Committee are summarised below:

Name of Directors	Attendance/ number of meetings between 1 May 2017 and the date of this report
Mr. Lau King Shun (Chairman)	3/3
Mr. Ho Cheuk Wai (resigned effective from 16 May 2018)	2/2
Mr. Law Hung Pan (appointed effective from 16 May 2018)	1/1
Ms. Wong Yuk King	3/3

Corporate Governance Functions

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

The Directors will review the Group's corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report.

Directors' and auditor's responsibilities for consolidated financial statements

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements and to ensure that the consolidated financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules. The Directors are of the view that the consolidated financial statements of the Group for the financial year ended 30 April 2018 have been prepared on this basis. As at 30 April 2018, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. The statements by external auditor, Grant Thornton Hong Kong Limited, about their reporting responsibility on the consolidated financial statements of the Group are set out in the independent auditor's report on pages 62 to 66 of this report.

CORPORATE GOVERNANCE REPORT

Internal control and risk management

The Board acknowledges that it is its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Group's internal control system is designed to safeguard assets against misappropriation and unauthorised disposition and to manage operational risks. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions of different systems has been done on a systematic basis based on the risk assessments of the operations and controls.

The Group's risk management framework includes the following elements: (i) identify significant risks in the Group's operation environment and evaluate the impacts of those risks on the Group's business; (ii) develop necessary measures to manage those risks; and (iii) monitor and review the effectiveness of such measures.

The Group does not have an internal audit department. Yet, the Group has conducted an annual review on whether there is a need for such an internal audit department. Given the Group's relatively simple corporate and operation structure, as opposed to diverting resources to establish a separate internal audit department, the Board, as supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness.

The Board, through the Audit Committee, has conducted review of both design and implementation effectiveness of the risk management and internal control systems of the Group once throughout the Reporting Period, covering all material controls, including financial, operational and compliance controls. In this respect, the Audit Committee communicates any material issues to the Board.

The Group engaged an external consultant, CT Partners Consultants Limited ("CT Partners"), to conduct review on the internal control system of the Group for the Reporting Period. The review covers certain procedures on the provision of slope work services in Hong Kong, and makes recommendations for improving and strengthening the internal control system. No significant area of concern that may affect the financial, operational, compliance, control and risk management of the Group has been identified.

The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by CT Partners to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of CT Partners as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems effective and adequate.

With respect to the monitoring and disclosure of inside information, the Group has adopted a policy on disclosure of inside information with the aim of ensuring that insiders are abiding by the confidentiality requirement and are fulfilling their obligations with regard to inside information.

CORPORATE GOVERNANCE REPORT

Auditor's remuneration

During the Reporting Period, the Group engaged Grant Thornton Hong Kong Limited ("GT") as the Group's external auditor. The remuneration paid and payable to GT is set out as follows:

Services rendered	Fees paid/payable (HK\$'000)
Statutory audit services	561
Non-audit service rendered in relation to the Group's quarterly reports and interim report	180
Total	<u>741</u>

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the Reporting Period.

Company secretary

Ms. Ho Man Wai was appointed as the company secretary of the Company on 1 April 2016. Please refer to the section "Directors and Senior Management" for her biographical information.

During the Reporting Period, Ms. Ho Man Wai has undertaken not less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

Compliance officer

Mr. Lau King Shun, an executive Director and chief executive officer of the Company, was appointed as the compliance officer of the Group. Please refer to the section "Directors and Senior Management" for his biographical information.

General meetings with shareholders

The annual general meeting ("AGM") is a forum in which the Board and the shareholders communicate directly and exchange views concerning the affairs and overall performance of the Group, and its future developments, etc. At the AGM, the Directors (including INEDs) are available to attend to questions raised by the shareholders. The external auditor of the Company is also invited to be present at the AGM to address queries of the shareholders concerning the audit procedures and the independent auditor's report.

The AGM of the Company will be held on 11 October 2018, the notice of which shall be sent to the shareholders of the Company at least 20 clear business days prior to the meeting.

CORPORATE GOVERNANCE REPORT

Shareholders' rights

Convening of Extraordinary General Meeting on requisition by shareholders

Subject to the Company's amended and restated articles of association (the "Articles") (as amended from time to time), and the applicable legislation and regulation, in particular the GEM Listing Rules (as amended from time to time), the Board may, whenever it thinks fit, convene an extraordinary general meeting ("EGM"). EGMs shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company at the Company's principal place of business in Hong Kong at Room 1101, 11/F, Wealth Commercial Centre, 48 Kwong Wa Street, Mong Kok, Kowloon, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionists.

The requisition must state clearly the name of the eligible shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the eligible shareholder(s) concerned together with a deposit of a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders.

The requisition will be verified with Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered shareholders. On the contrary, if the requisition has been verified as not in order or the shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the eligible shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM.

If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for shareholders to put forward proposals at shareholders' meetings

There are no provisions allowing shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles, shareholders who wish to move a resolution may by means of requisition convene an EGM following the procedures set out above.

CORPORATE GOVERNANCE REPORT

Procedures for directing shareholders' enquires to the Board

Shareholders may direct their enquiries concerning their shareholdings to the Company's branch share registrar and transfer office in Hong Kong. Shareholders may also make a request for the Company's information to the extent that such information has been made publicly available by the Company. All written enquiries or requests may be forwarded to the Company's head office in Hong Kong or by fax to (852)2663 9688, or by email to info@taikamholdings.com.

The addresses of the Company's head office and the Company's branch share registrar and transfer office in Hong Kong can be found in the section "Corporate Information" of this report.

Shareholders are reminded to lodge their questions together with their detailed contact information.

Investor Relations

To ensure transparent and comprehensive disclosures to investors, the Group delivers information of the Group to the public through various channels, including general meeting, public announcement and financial reports. The investors are also able to access the latest news and information of the Group via our website (www.taikamholdings.com).

In order to maintain good and effective communication, the Company together with the Board extend their invitation to all shareholders and encourage them to attend the forthcoming AGM and all future general meetings.

The shareholders may also forward their enquiries and suggestions in writing to the Company as follows:

Address: Room 1101, 11/F, Wealth Commercial Centre, 48 Kwong Wa Street, Mong Kok, Kowloon, Hong Kong.

Email: info@taikamholdings.com

Significant Changes in Constitutional Documents

During the Reporting Period, there had been no significant changes in the constitutional documents of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

Tai Kam Holdings Limited has become more competitive in the construction industry market for slope works, following several years of development. This report is prepared with reference to the Environmental, Social and Governance (ESG) Reporting Guide under Appendix 20 to the GEM Listing Rules. Though damage to the environment from our operational construction segment is inevitable, the Group has made every effort to minimise the risks and impacts caused to the public and the environment.

The information in the report reflects our progress and performance in ESG issues from 1 May 2017 to 30 April 2018, focusing on the core activities of the Group in undertaking slope works.

The Group is one of the largest slope works contractors in Hong Kong, with over 10 years of experience. Slope works generally refer to landslip preventive and remedial works, for improving or maintaining the stability of slopes and/or retaining walls. The Group commits to integrating corporate social and environmental commitments into various aspects of slope works operations. To further sustainable development, the Group also promotes environmental protection, makes positive contributions and creates long-term value for communities. During the Reporting Period, the Group committed to improving standards of corporate social responsibility, and strictly complied with the requirements of relevant laws and regulations on ESG reporting.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

Identifying and clarifying who stakeholders are is indispensable for sustainable development. Continuous communication with our stakeholders enables us to make informed decisions and to accurately assess the potential impact of our business decisions. The table below shows a list of the Group's stakeholders, as well as our efforts in communication and response.

Stakeholder Groups	Specific Stakeholders	Methods of Communication
Investors	✧ Shareholders	➤ Corporate website ➤ Annual, interim and quarterly financial reports ➤ Annual general meeting ➤ Conference call
Employees	✧ Senior management ✧ Administrative staff ✧ Direct Workers ✧ Potential recruits	➤ Training, seminars ➤ Face-to-face meeting ➤ Independent focus groups and interviews ➤ Corporate Social Responsibility ("CSR") and volunteering activities
Customers	✧ The Government	➤ Customer assessment ➤ Monthly progress meeting
Suppliers/Sub-contractors	✧ Material suppliers ✧ Transportation providers ✧ Sub-contractors	➤ Supplier assessment ➤ Daily work review ➤ Site visiting ➤ Monthly progress meeting
Government and Regulators	✧ Local governments	➤ Face-to-face meeting ➤ Conference call ➤ E-mail ➤ Letter
Community	✧ Local community organization	➤ Industry dinner ➤ CSR activities

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ANALYSIS

To ensure that this ESG report addresses the issues that are critical to the Group and significant to our stakeholders, a materiality matrix on the Group's CSR agenda was developed. In doing so, we are able to identify the areas for improvement in our CSR work, through a more comprehensive, transparent and specific response which will enhance the quality of the report.

I. Carrying Out Environmental Protection

I.1 Emissions

Climate change and global warming are the most pressing environmental problems in the world. Many environmental groups are committed to and encourage reduction of environmental pollution. In response, the Group has established policies and measures to minimise greenhouse gas emissions and non-hazardous waste generation.

In our business operations, there is no doubt that multiple sources of emissions are generated. Hence, the Group has implemented efficient controls to minimise their levels. The Group has also strictly complied with the relevant laws and regulations for emissions, such as the Waste Disposal Ordinance (Cap.354), Water Pollution Control Ordinance ("WPCO") Cap.358 and Noise Control Ordinance (Cap.400). The Group did not have any record of conviction and prosecution during the Reporting Period relating to the relevant laws and regulations for emissions.

Carbon emissions from the consumption of energy are one of our major emission sources. During the Reporting Period, we established sound controls for reducing carbon emissions, by using energy efficient fuel for our vehicles and machineries, Shell FuelSave Diesel. DYNAFLEX is Shell's new technology for engine efficiency. It can help to clean up injector deposits in engines, and provides better fuel economy and greater load-pulling power when needed. According to testing by Shell, this new technology in Shell FuelSave Diesel shows significantly less deposit-related power loss, and cleaner fuel injectors help to maintain engine efficiency. This type of diesel can reduce our operating costs and help protect the environment through lowered fuel usage.

During the Reporting Period, we ensured that all our vehicles and machineries used Shell FuelSave Diesel, with sulphur content not exceeding 0.005% by weight under the Air Pollution Control Ordinance of 2008.

Greenhouse gases emissions		Unit	2017/18
Direct emissions (Scope 1):	CO ₂	tonne	322.42
–GHG emissions from mobile combustion sources	CH ₄	tonne	0.18
	N ₂ O	tonne	8.56
Indirect emissions (Scope 2):			
–Electricity purchased from China Light & Power	CO ₂	tonne	15.29
Other indirect emissions (Scope 3):			
–Paper waste disposal	CO ₂	tonne	1.37
–Sewage processing	CO ₂	tonne	11.32

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1.2 Usage of Resources

Green policies have been introduced for our staff, to enhance awareness of environmental protection. We have endeavoured to lower energy consumption, fully utilise resources and recycle waste in our business operations. Also, we have established energy-efficient practices in the head office and site offices.

(i) Energy Saving

We have informed staff that air-conditioning temperatures in head and site offices are to be set at an environmental-friendly level (around 25 degrees Celsius).

LED lighting has been installed at the head and site offices. All lighting and air-conditioning must be switched off after office hours, or when the premises are not in use. Notices are placed at appropriate areas to remind the staff to switch off energy-consuming devices. Electricity meters are used to monitor energy consumption by separated areas at one of our site offices. In addition, motion sensors for lighting have been installed at designated areas in one of our site offices, enabling lighting to be automatically switched off when not in use, for a pre-set period, and a Solar Hot Water System has been introduced in one of our site offices, to convert sunlight into renewable energy for water-heating using a solar thermal collector.

Electricity consumption during the year:

	Unit	2017/18
Electricity consumption	kWh	24,273.77
Per employee	kWh	168.57

(ii) Paper usage

The Group has encouraged the staff to recycle used paper and use double-sided printing to reduce paper usage. For printing, 75gsm paper, which has extremely good environmental credentials and is cost-effective, has been chosen. Any announcement or information is only posted once on notice boards, and staff and workers are notified through digital devices.

(iii) Water Management

The Group works to minimise water pollution by monitoring water use at sites. We have encouraged our staff to increase their awareness of environmental protection and water pollution.

Under the WPCO, discharge of polluted waters into stormwater drains is not permitted. We employ a service provider to collect sewage generated on site. We also conduct regular self-monitoring checks to ensure compliance to said ordinance.

Water consumption during the year:

	Unit	2017/18
Water consumption	m ³	11,316
Per employee	m ³	78.58

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1.3 The Environmental and Natural Resources

Environmental

Environmental damages cannot be eliminated in the construction industry. However, we still do our best in monitoring our business operations, to comply with the environmental laws and regulations. The Group has obtained ISO 14001:2015 certification issued by Hong Kong Quality Assurance Agency (HKQAA) in recognition of our measures in environmental management systems.

(i) Noise Control

Our slope works' locations are close to residential areas. Hence, noise pollution control has always been our major concern. Before the commencement of works, we must communicate with affected residents, and inform them about the construction timeline to obtain their understanding. To comply with the Noise Control Ordinance and Environmental Impact Assessment Ordinance, the maximum acceptable noise level is 75 decibels. Sound insulation fabric and boarding are put in required locations to minimise the impact of noise generated.

(ii) Waste Disposal Management

The major environmental concern in Hong Kong is waste disposal. One major waste source from our business operations is inert construction waste, such as rock, boulders, earth, soil, sand and concrete generated from landslip prevention and remedial works. The Group has strictly complied with the standards of the Construction Waste Disposal Charging Scheme of January 2005, issued by the Environmental Protection Department. We have opened billing accounts for repaying service charges when using any legitimate waste disposal facilities for construction waste. We have implemented procedures for classifying construction wastes into inert and non-inert types. When specified levels are reached, we dispatch construction wastes to the designated landfill. In addition, we continue to develop possible reuse and recycling schemes that could allow us to divert construction waste from the waste stream back into the construction cycle.

(iii) Reducing waste water discharge

We have installed a rainwater harvesting and recycling system in one of our site offices. The system works by collecting, filtering and storing rainwater from roofs for toilet flushing and plant irrigation, which can help reduce water usage and environmental impact.

(iv) Resources recycling

Where applicable, we use recycled resources and materials in our site operations. For instance, we reuse usable items like hoarding materials, decorative panelling and water filled barriers where appropriate in our construction works.

Waste Disposal	Unit	2017/18
Non-hazardous waste	tonne	1,858.13
Non-hazardous waste per no. of construction projects in 2017/18	tonne	206.46

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Natural Resources

We use natural lighting and skylights fully powered by solar energy without any wiring or switches. Skylight roofing has been installed at one of our site offices, to bring natural light in to reduce energy consumption and electricity use.

Green roofing has also been introduced at one of our site offices to keep out direct heat from sunlight, and to reduce indoor temperatures. This is effective in controlling temperatures and providing a better working environment for site staff. It will make good use of energy, while energy conservation is enhanced, helping to protect the environment.

II SOCIAL

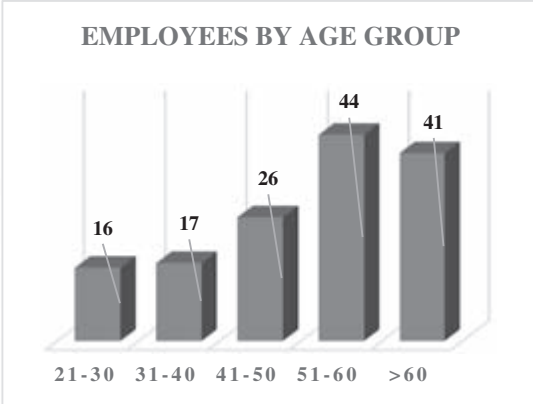
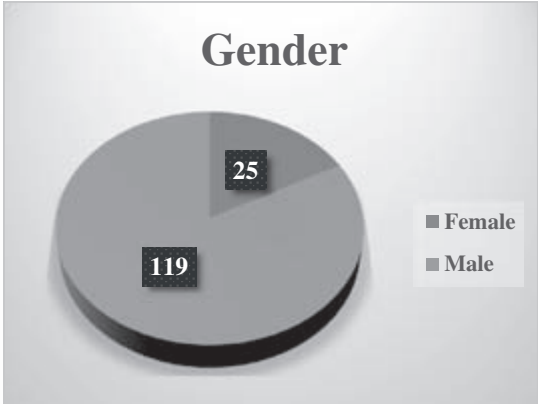
II.1 Our Employment

Employees are valuable to the Group in increasing core competitive advantage and being successful. We provide a comfortable, attractive and fair working environment for our employees. We advocate a community spirit that thrives on mutual respect and equal opportunity. Equal opportunity legislation, such as the Sex Discrimination Ordinance, Race Discrimination Ordinance, Disability Discrimination Ordinance and Family Status Discrimination Ordinance, is valued by our Group. Our selection process is non-discriminatory and solely based on employee performance, experience and skills.

Annual performance reviews are performed for evaluation of employees, with appropriate salary adjustments and promotions. The Group always encourages employees to discuss their targets in job advancement and career development with their senior management if they have any difficulties or opinions related to their job. The Group is fully committed to complying with laws and regulations relevant to the Ordinances mentioned above, and does not engage in any forced or child labour. Our site supervisor normally checks the identities and licencing of all workers, whether internal or with a sub-contractor, to ensure full compliance with the relevant laws and regulations.

As at 30 April 2018, we employed a total of 144 staff, including operational office and construction division staff. All our staff members are located in Hong Kong. Due to the nature of our business, there is a high proportion of males within the Group.

Number of employees



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Since the Group acts as a slope works contractor, the majority of our employees are entry level staff, the number of entry level, middle level and senior level staff are 107, 29 and 8 respectively.

The employee turnover rate is extremely high in the construction industry, especially among daily workers. Hence, our employee turnover calculation does not include employees who joined and left in the same year. There were 51 employees who joined before 1 May 2017 and left the Group during the Reporting Period. The employee turnover rate is 42.9%.

Employee turnover by gender	No. of people	percentage
Male	44	45.1%
Female	7	32.6%

Employee turnover by age group	No. of people	percentage
21-30 years old	9	64.3%
31-40 years old	6	37.5%
41-50 years old	6	30.8%
51-60 years old	14	39.4%
Over 60 years old	16	47.1%

Employee turnover by employment category	No. of people	percentage
Entry level	37	43.0%
Middle level	13	52.0%
Senior level	1	12.5%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

II.2 Health and Safety

Due to the nature of construction works, the occupational health and safety risks in our operation and workplaces are relatively higher than in other industries. Providing a safe, effective and congenial work environment for our staff is one of the most important objectives of our Group. Hence, we have established policies on occupational health and safety to protect our staff and ensure regular inspection of high-risk construction sites.

To enhance awareness of health and safety, we have set up a health and safety management group and compiled a safety plan, which allows us to provide the highest standards of protection and prevention for all our staff against any unnecessary exposure to occupational hazards. All staff must have special safety equipment, like safety helmets, ear plugs, dust masks, goggles and safety shoes, etc. Also, we have strictly complied with Construction Sites (Safety) Regulations from the Occupational Safety and Health Branch of the Labour Department, which requires workers to equip themselves with safety belts as well as have safety netting in place at any work site which is 2 metres above ground or higher, and safety gear must be worn at all times when operating any machinery. Our on-site safety officers perform site inspections regularly, and are responsible for oversight of site safety at all times.

“Safety Star of the Month” awards have been introduced to encourage workers to work safely. The project manager, site agent and safety officer select the best-suited candidate in consideration of daily safety observation, and direct supervisor nomination. Every six months, the monthly award winners get the chance to contend for the final award. Awards may include stationery, school bags and textbook allowances.

We performed well in terms of our health and safety management. During the Reporting Period, we obtained a merit award for construction site safety award under the Civil Engineering and Development Department. Also, the Group has obtained OHSAS 18001:2007 certification issued by HKQAA in recognition of our compliance with occupational health and safety requirements.

As at 30 April 2018, the Group had not noted any non-compliance cases in relation to health and safety laws and regulations.

Work Injury Statistics for 2017/18

Number of work-related fatalities	0 case
Rate of work-related fatalities	0 %
Lost days due to work injury	298 days

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

II.3 Development and Training

Since our employees and their health and safety are important to our Group, we have established a series of internal safety training programmes, to ensure all employees have received a sound level of training to reduce the chances of accidents.

We also encourage and incentivise employees to develop their knowledge and skills from external training providers. Upon Director- or senior management-level approval, the Group offers sponsorship to employees who study related construction courses of their job nature, such as the Seminar on Chemical Safety, Occupational Safety and Health Trainer and Safe Working Cycle, which are organised by Occupational Safety & Health Council, and London Chamber of Commerce and Industry (Level 2).

Employees trained by gender in 2017/18

Male	4%
Female	20%

Employees trained by employee category in 2017/18

Senior level	63%
Middle level	7%
Entry level	3%

Average training hours completed per employee by gender in 2017/18

Male	1.21 hours
Female	7.00 hours

Average training hours completed per employee by employee category in 2017/18

Senior level	16.13 hours
Middle level	2.48 hours
Entry level	1.10 hours

Furthermore, we have sponsored 3 employees from middle-management level to undertake work-related tertiary studies in universities and educational institutes to enhance their knowledge. Courses that have been taken include "Bachelor of Engineering (Hons) in Civil Engineering" at the Technological and Higher Education Institute of Hong Kong, "BEng (HONS) Civil Engineering" at the Hong Kong Polytechnic University and "Professional Diploma in Occupational Safety and Health" at the School of Continuing Education, Hong Kong Baptist University.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

III. Operations

III.1 Supply Chain Management

Suppliers and sub-contractors are indispensable to our business and operations, since their quality and services are crucial in contributing to our success in the pursuit of quality excellence and in enhancing our reputation. We strictly monitor our suppliers' and sub-contractors' selection procedure, evaluating different aspects of their performance, such as competitive pricing, meeting specifications and standards, product and service quality and business ethics. Our senior management carries out performance reviews on our existing suppliers and sub-contractors regularly.

III.2 Product Responsibility

Quality service is the key element influencing our business operations. We are open to our customers presenting any queries and feedback regarding our service. Whistleblowing and complaint hotline facilities have been set up for our staff and customers for reporting of fraud or non-compliance issues. However, the Group did not receive any complaints. During the Reporting Period, the Group provided a high standard of quality management, and has obtained ISO9001:2008 certification issued by HKQAA in recognition of our success in meeting customer expectations and delivering customer satisfaction. Our Group was second runner-up in the "Best LPM Contractor Competition 2017" in the Landslip Prevention and Mitigation Programme under Civil Engineering and Development Department.

For protection, confidential or special information relating to our customers, employees and financial data is kept in appropriately secured and locked areas. Information is not to be disclosed without their or the Group's authorisation. Our senior management has also signed a confidentiality agreement for protecting the Company's information.

For the Reporting Period, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to the Personal Data (Privacy) Ordinance.

III.3 Anti-Corruption

The Group complies strictly with anti-corruption policies and procurement practices. Conflicts of interest, intellectual property rights, privacy and confidentiality of information, prevention of bribery and corruption and equal opportunities are all covered in our Staff Handbook and Internal Control Manual. We have also developed a gift policy, which clearly lays out the procedures required for processing and acceptance of gifts and offers.

We have regularly updated our internal policies to conform with the regulations of the Independent Commission Against Corruption for increasing awareness of changing circumstances of corruption and fraud. The Group also encourages employees to report irregularities, using a confidential platform for employees to report problems they have observed. As at 30 April 2018, the Group did not find any non-compliance issues concerning corruption-related laws and regulations (such as the Hong Kong Prevention of Bribery Ordinance) against the Group or its employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

III.4 Community Involvement

We do our best to contribute to the community. We actively seek opportunities to repay society, and hope to create a better living environment for the local community by participating in community services and charitable sponsorships.

During the Reporting Period, the Group sponsored the 200th anniversary celebration of the Institution of Civil Engineers. The theme is "Transform and Protect Lives," including the topics of the Smart City and Climate Change Resilience. A highlight was the roundtable discussions with keynote speakers debating and probing key issues and what breakthroughs are needed to transform and modernise the industry to better meet emerging societal needs and embrace challenges. It was closely related to the future of the construction industry.

IV. Performance Summary

IV.1 Environmental Performance

Emissions Data from Vehicles		Unit	2017/18
NO _x Emissions		kg/km	210.07
SO _x Emissions		kg/L	1.99
PM Emissions		kg/km	19.89
Greenhouse gases emissions		Unit	2017/18
Direct emissions (Scope 1):	CO ₂	tonne	322.42
–GHG emissions from mobile combustion sources	CH ₄	tonne	0.18
	N ₂ O	tonne	8.56
Indirect emissions (Scope 2):			
–Electricity purchased from China Light & Power	CO ₂	tonne	15.29
Other indirect emissions (Scope 3):			
–Paper waste disposal	CO ₂	tonne	1.37
–Sewage processing	CO ₂	tonne	11.32
Waste Disposal		Unit	2017/18
Non-hazardous waste produced		tonne	1,858.13
Non-hazardous waste intensity		tonne/number of construction site	206.46
Electricity consumption during the year:			
		Unit	2017/18
Electricity consumption		kWh	24,273.77
Per employee		kWh	168.57
Water consumption during the year:			
		Unit	2017/18
Water consumption		m ³	11,316
Per employee		m ³	78.58

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

IV. Performance Summary

IV.2 Social Responsibility Performance

Employment practice	Unit	2017/18
Total workforce by employment type		
Full-time	No. of people	131
Part-time	No. of people	13
Total workforce by gender		
Male	No. of people	119
Female	No. of people	25
Total workforce by age group		
21 – 30 years old	No. of people	16
31 – 40 years old	No. of people	17
41 – 50 years old	No. of people	26
51 – 60 years old	No. of people	44
Over 60 years old	No. of people	41
Total workforce by employee category		
Senior level	No. of people	8
Middle level	No. of people	29
Entry level	No. of people	107
Work Injury Statistics for 2017/18		
Number of work-related fatalities		0 case
Rate of work-related fatalities		0 %
Lost days due to work injury		298 days
Employees trained by gender in 2017/18		
Male		4%
Female		20%
Employees trained by employee category in 2017/18		
Senior level		63%
Middle level		7%
Entry level		3%
Average training hours completed per employee by gender in 2017/18		
Male		1.21 hours
Female		7.00 hours
Average training hours completed per employee by employee category in 2017/18		
Senior level		16.13 hours
Middle level		2.48 hours
Entry level		1.10 hours

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

V. Environmental, Social and Governance Content Index

This ESG report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” under Appendix 20 to the GEM Listing Rules. The following table provides an overview on the general disclosures and key performance indicators (“KPIs”) of various aspects under each subject area, which are either cross-referenced to the relevant chapters of the Review or supplementing the Review with additional information.

<i>Description</i>		<i>Reference/ Remarks</i>
ENVIRONMENTAL		
Aspect A1: EMISSIONS		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	I. Carrying Out Environmental Protection
KPI A1.1	The types of emissions and respective emissions data	Performance Data Summary
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	I.1 Emission
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Hazardous waste generation and handling are not material to our operations.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	I.3 The Environmental and Natural Resources
KPI A1.5	Description of measures to mitigate emissions and results achieved	I.1 Emission
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	I.3 The Environmental and Natural Resources

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

<i>Description</i>		<i>Reference/ Remarks</i>
Aspect A2: USE OF RESOURCES		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	I. Carrying Out Environmental Protection
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	I.2 Usage of Resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	I.2 Usage of Resources
KPI A2.3	Description of energy use efficiency initiatives and results achieved	I.2 Usage of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	We encounter no issue in sourcing water that is fit for purpose.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit Produced	We do not generate significant packaging material waste in our operation.
Aspect A3: THE ENVIRONMENT AND NATURAL RESOURCES		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	I. Carrying Out Environmental Protection
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	I.3 The Environmental and Natural Resources
EMPLOYMENT AND LABOUR PRACTICES		
Aspect B1: EMPLOYMENT		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	II. Social
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	II.1 Our Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region	II.1 Our Employment

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

<i>Description</i>		<i>Reference/ Remarks</i>
Aspect B2: HEALTH AND SAFETY		
KPI B2.1	Number and rate of work-related fatalities	II.2 Health and Safety
KPI B2.2	Lost days due to work Injury	II.2 Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	II.2 Health and Safety
Aspect B3: DEVELOPMENT AND TRAINING		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	II. Social
KPI B3.1	The percentage of employees trained by gender and employee category	II.3 Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category	II.3 Development and Training
Aspect B4: LABOUR STANDARDS		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	II. Social
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	II.1 Our Employment
KPI B4.2	Description of step taken to eliminate such practices when discovered	II.1 Our Employment During the Reporting Period, there was no non-compliance report.
Aspect B5: SUPPLY CHAIN MANAGEMENT		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	III. Operations
KPI B5.1	Number of suppliers by geographical region	The Company has chosen to use Hong Kong suppliers
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	III.1 Supply Chain Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

<i>Description</i>		<i>Reference/ Remarks</i>
Aspect B6: PRODUCT RESPONSIBILITY		
General Disclosure	Information on:(a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	III. Operations
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	There were no recalls concerning the provision.
KPI B6.2	Number of products and service related complaints received and how they are dealt with	There were no validated complaints received during the Reporting Period.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Intellectual property rights are not material to our operations.
KPI B6.4	Description of quality assurance process and recall procedures.	III.2 Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	III.2 Product Responsibility
Aspect B7: ANTI-CORRUPTION		
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	III. Operations
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases	III.3 Anti-Corruption There were no non-compliance cases regarding corrupt practices brought against the Group or its employees during the Reporting Period.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	III.3 Anti-Corruption

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

<i>Description</i>		<i>Reference/ Remarks</i>
Aspect B8: COMMUNITY INVESTMENT		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	III. Operations
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	III.4 Community Involvement
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	III.4 Community Involvement

DIRECTORS' REPORT

The Board is pleased to present their report together with the audited consolidated financial statements of the Group for the Reporting Period.

CORPORATE REORGANISATION

The Company was incorporated with limited liability in the Cayman Islands on 1 April 2016. In preparing for the Listing, the Group underwent a reorganisation ("Reorganisation") to rationalise the structure of the Group in preparation for the initial public offering of the shares of HK\$0.01 each of the Company on GEM. Pursuant to the Reorganisation, the Company became the holding company of the companies comprising the Group upon the completion of the Reorganisation on 17 June 2016.

Further details of the Reorganisation are set out in the paragraph headed "A. Further information about our Company — 4. Corporation reorganisation" in Appendix IV and in note 1.2 of the Accountants' Report in Appendix I to the Prospectus. The shares of the Company were listed on GEM of the Stock Exchange on 28 October 2016.

PRINCIPAL PLACE OF BUSINESS

The Company 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.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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 principal activities of the Company's subsidiaries are set out in Note 14 to the consolidated financial statements in this report.

Further discussion and analysis of these activities, including a business review of the Group for the Reporting Period, an indication of likely future developments in the Group's business, and an analysis using financial key performance indicators of the Group's business, can be found in the Chairman's statement and Management Discussion and Analysis as set out on pages 4 to 13 of this report. These discussions form part of this directors' report.

DIRECTORS' REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's key risk exposures are summarized as follows:

- i. a significant portion of the Group's revenue was generated from slope work contracts awarded by the CEDD, which are non-recurrent in nature, and any significant reduction in the level of Government's spending on construction projects particularly for slope works may materially affect the Group's financial performance;
- ii. the Group is dependent on key personnel, and an inability to retain its staff may adversely affect the Group's business operations;
- iii. retention on List of Approved Specialist Contractors for Public Works in order to tender for Government contracts and any failure in doing so could significantly hinder the Group's business and affect the Group's financial performance;
- iv. any difficulty in collecting a substantial portion of the Group's trade and other receivables could materially affect the Group's cash flows and financial positions; and
- v. rising construction costs, including the costs of construction workers and construction materials and costs of construction may increase our costs of operation, which could materially and adversely affect our business operations and financial condition.

For other risks and uncertainties facing the Group, please refer to the section headed "Risks Factors" in the Prospectus.

An analysis of the Group's financial risk management (included interest rate risk, credit risk, and liquidity risk) objectives and policies are provided in Note 27 to the consolidated financial statements.

There may be other risks and uncertainties in addition to those shown below which are not known to our Group or which may not be material now but could turn out to be material in the future.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of environmental policies, performance and compliance with laws and regulations are set out in the "Environmental, Social and Governance Report" in this report.

DIRECTORS' REPORT

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Hong Kong while the Company itself is listed on the Stock Exchange. Our establishment and operations shall therefore comply with the relevant laws and regulations in Hong Kong. External compliance and legal advisers are engaged to ensure transactions and businesses performed by the Group are within the applicable law framework.

Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time. During the Reporting Period and up to the date of this report, there is no material non-compliance with the relevant prevailing laws and regulations in Hong Kong by the Group.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES

Customers

The Group's customers mainly include (a) for public sector projects, Government departments such as the CEDD, as well as other statutory bodies including the Housing Authority; and (b) for private sector projects, private corporations and other entities in the private sector.

During the Reporting Period, the Group served customers from the public sector in Hong Kong. For the year ended 30 April 2017 and 30 April 2018, the revenue generated from contracts awarded by the CEDD represented approximately 91.8% and 86.6% of the Group's total revenue respectively. The Directors consider that customer concentration is not uncommon for construction companies in Hong Kong which mainly undertake public works and particularly slope works. The business model is sustainable despite customer concentration mainly due to our competitive strengths (in particular, our high performance ratings under the Contractor's Performance Index System) through open tendering for Government projects and the launch of the Landslip Prevention and Mitigation Programme by the CEDD. The Group has business relationships with most of the top customers ranging from 3 years to over 10 years.

Suppliers and Subcontractors

During the Reporting Period, the suppliers of goods and services which were specific to the business of the Group and were required on a regular basis to enable the Group to continue to carry on its business included (i) subcontractors engaged by the Group to perform the slope works; and (ii) suppliers of construction materials and consumables such as steel, bars and concrete. The Group has business relationships with most of the top suppliers ranging from 1 year to over 9 years.

The Group maintains an internal list of approved subcontractors. While engaging subcontractors, the Group generally selects the most suitable subcontractor from the approved list based on their relevant experience as well as their availability and fee quotations.

The Group did not experience any material difficulties in sourcing material from suppliers or assigning subcontractors during the Reporting Period. Also, there is no significant dispute with our top five suppliers and subcontractors during the Reporting Period.

DIRECTORS' REPORT

Employees

The Group believes that employees are important and their contribution and support are valued at all times. The Group provides competitive remuneration packages to attract and retain employees with the aim to form a professional staff and management team that can bring the Group to new levels of success. The Group regularly reviews compensation according to industry benchmarks, financial results as well as the individual performance of employees. Furthermore, the Group places great emphasis on the training and development of employees and regards excellent employees as a key factor in its competitiveness.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, the total amount of turnover attributed to the Group's largest and the five largest customers accounted for approximately 86.6% and 100% (2017: approximately 91.8% and 100%) of the total revenue of the Group, respectively.

For the Reporting Period, the Group's purchases from the largest and the five largest suppliers accounted for approximately 37.3% and approximately 77.6% (2017: approximately 63.5% and approximately 90.6%) of the total purchases of the Group respectively.

To the best of the Directors' knowledge, none of the Directors, their close associates, or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the issued shares of the Company) has an interest in the Group's five largest customers and suppliers.

SEGMENT INFORMATION

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 about resource allocation.

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.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last three financial years is set out on page 112 of this report.

RESULTS AND DIVIDENDS

The financial performance of the Group for the Reporting Period and the financial position of the Group as at that date are set out in the financial statements on pages 67 to 68 of this report.

No interim or final dividend was declared and paid during the Reporting Period (2017:Nil). No shareholder has agreed to waive dividends.

DIRECTORS' REPORT

CLOSURE OF REGISTER OF MEMBERS

The forthcoming AGM of the Company will be held on 11 October 2018. In order to determine eligibility to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from 5 October 2018 (Friday) to 11 October 2018 (Thursday) (both days inclusive) or any adjournment thereof. All transfer of the Company's shares together with the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office no later than 4:30 p.m. on 4 October 2018 (Thursday). The share registrar and transfer office is at:

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

PLANT AND EQUIPMENT

Details of movements of the plant and equipment of the Group during the Reporting Period are set out in Note 13 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 30 April 2018 are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL AND SHARE PREMIUM

The Company's total issued share capital as at 30 April 2018 was 800,000,000 ordinary shares of HK\$0.01 each.

Details of movements of the share capital and share premium of the Company during the Reporting Period are set out in Note 20 and Note 22 to the consolidated financial statements respectively.

EMOLUMENT POLICY FOR DIRECTORS

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group. The Remuneration Committee determines Directors' remuneration by reference to the benchmarking of the market. The Company also looks into individual Director's competence, duties, responsibilities, performance and the results of the Group in determining the exact level of remuneration for each Director.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Note 12 to the consolidated financial statements in this report.

DIRECTORS' REPORT

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 69 of this report and Note 22 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As of 30 April 2018, the reserves of the Company available for distribution as calculated under the Companies Law Cap. 22 of Cayman Islands, was approximately HK\$37.7 million (2017: approximately HK\$40.6 million) inclusive of share premium and accumulated losses.

DIRECTORS

The Directors during the Reporting Period and up to the date of this report were:

Executive Directors

Mr. Lau King Shun (chairman and chief executive officer)
Mr. Lau Kan Sui Sanny (resigned effective from 16 May 2018)
Mr. Lau Mei Chai (resigned effective from 16 May 2018)
Ms. Tsui Tsz Fa Mabel (appointed effective from 16 May 2018)
Ms. Liu Tanying (appointed effective from 16 May 2018)

Independent Non-executive Directors

Mr. Yim Kin Ping
Ms. Wong Yuk King
Mr. Ho Cheuk Wai (resigned effective from 16 May 2018)
Mr. Law Hung Pan (appointed effective from 16 May 2018)

Confirmation of Independence

Each independent non-executive Director has given the Company an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all the independent non-executive Directors are independent and meet the independent guidelines set out in Rule 5.09 of the GEM Listing Rules.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company are set out in pages 14 to 18 under the section headed "Directors and Senior Management" in this report.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACT

All executive Directors currently in office have entered into service agreements with the Company for a term commencing from 16 May 2018 or, in the case of Mr. Lau King Shun, 28 October 2016 (the "Listing Date"), and shall continue unless terminated in accordance with the terms therein. All of these service agreements may be terminated earlier by no less than one month's written notice or, in the case of Mr. Lau King Shun, three months' written notice served by either party on the other. The term of service of a Director is subject to retirement by rotation of Directors as set out in the Articles.

Each of the INEDs currently in office has entered into a letter of appointment, for an initial fixed term of three years, with the Company commencing from 28 October 2016 (the Listing Date) or, in the case of Mr. Law Hung Pan, 16 May 2018, and thereafter shall continue unless terminated in accordance with the terms therein. The letter of appointment may be terminated earlier by no less than three months' written notice or, in the case of Mr. Law Hung Pan, one month's written notice served by either party on the other. The term of service of a Director is subject to retirement by rotation of Directors as set out in the Articles.

No director proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Each of the executive Directors shall also be entitled to discretionary bonus to be determined by the Board based on, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group, and is subject to the recommendation of the Remuneration Committee.

DIRECTORS' REPORT

DISCLOSURE OF INTERESTS

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 30 April 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 shares held/ interested	Approximate percentage of shareholdings
Mr. Lau King Shun	Interest held jointly with other persons; Interest in a controlled corporation (<i>Notes 1 and 2</i>)	277,320,000	34.66%
Mr. Lau Kan Sui Sanny	Interest held jointly with other persons; Interest in a controlled corporation (<i>Note 1 and 2</i>)	277,320,000	34.66%

Notes:

- (1) These shares are registered in the name of Classy Gear Limited, the issued share capital of which is legally and beneficially owned as to 75% by Mr. Lau King Shun ("Mr. KS Lau") and 25% by Mr. Lau Kan Sui Sanny ("Mr. Sanny Lau"). Therefore, Mr. KS Lau is deemed or taken to be interested in these shares held by Classy Gear under the SFO.
- (2) Mr. KS Lau and Mr. 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 Mr. KS Lau and Mr. 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 Share Option Scheme adopted by the Company on 26 September 2016, Mr. KS Lau and Mr. Sanny Lau together control 34.66% of the entire issued share capital of the Company.

DIRECTORS' REPORT

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

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

Note:

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

Save as disclosed above, as at 30 April 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 30 April 2018, the following persons (other than the Directors and chief executive of the Company) had or deemed or taken to have an interest 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 shares held/ interested	Approximate percentage of shareholdings
Classy Gear Limited	Beneficial owner	277,320,000	34.66%
Ms. Lam Wai Yin	Interest of spouse (Note 1)	277,320,000	34.66%
Ms. Chung King Fung	Interest of spouse (Note 2)	277,320,000	34.66%

Notes:

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

DIRECTORS' REPORT

Save as disclosed above, as at 30 April 2018, the Company had not been notified by any persons who had interests or short positions 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.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Apart from the contracts relating to the Reorganisation of the Group in relation to the Listing and save for the related party transactions disclosed in Note 25 to the consolidated financial statements, no transactions, arrangements or contract of significance to which the Company or any of its subsidiaries, or its holding company was a party and in which a Director or an entity connected with a Director had a material interest directly or indirectly subsisted at the end of the year or at any time during the Reporting Period.

MANAGEMENT CONTRACTS

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed, no contract of significance to which the Company or any of its subsidiaries was a party, and in which any controlling shareholder of the Company had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the Reporting Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than those disclosed under the paragraph headed "Share Option Scheme", at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective close associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CONNECTED/RELATED PARTY TRANSACTIONS

The Company had not entered into any connected transaction during the Reporting Period which is required to be disclosed under the GEM Listing Rules.

Related party transactions entered into by the Group during the Reporting Period, which constitute fully exempt connected transactions or continuing connected transactions under Chapter 20 of the GEM Listing Rules are disclosed in Note 25 to the consolidated financial statements.

DIRECTORS' REPORT

COMPETING INTEREST

The controlling shareholders, the Directors and their respective close associates confirm that each of them does not have any interest in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business, and is required to be disclosed pursuant to Rule 11.04 of the GEM Listing Rules during the Reporting Period.

All the independent non-executive Directors are delegated with the authority to review the non-competition undertakings (the "Non-competition Undertakings") undertaken by our controlling shareholders, namely Mr. Lau King Shun, Mr. Lau Kan Sui Sanny and Classy Gear in favour of the Company under a deed of non-competition dated 26 September 2016. The independent non-executive Directors were not aware of any non-compliance with the Non-competition Undertakings during the Reporting Period and up to the date of this report.

Each of Mr. Lau King Shun, Mr. Lau Kan Sui Sanny and Classy Gear has confirmed that he/it had complied with the Non-competition Undertakings during the Reporting Period and up to the date of this report.

COMPLIANCE ADVISERS' INTERESTS

As at 31 January 2018, as notified by the Company's then 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 30 April 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 (the "Compliance Adviser Agreement"), neither the Compliance Adviser nor its directors, employees or 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.

Pursuant to the Compliance Adviser Agreement, the Compliance Adviser has received and will receive fees for acting as the Company's compliance adviser.

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

During the Reporting Period 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

Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 19 to 31 of this report.

DIRECTORS' REPORT

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of provisions of conduct ("Code of Conduct") regarding securities transactions by the Directors 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 throughout the Reporting Period.

PERMITTED INDEMNITY

The Company has arranged Directors' and officers' liability insurance for all Directors and senior management of the Company. The insurance covers the corresponding costs, charges, expenses and liabilities for legal action of corporate activities against them.

Pursuant to the Articles, every Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 26 September 2016 (the "Scheme"). Pursuant to the Scheme, certain eligible participants including, among others, the Directors and employees of the Group may be granted options to subscribe for Shares. The Directors believe that the Scheme will assist in the recruitment and retention of quality executives and employees. A summary of the principal terms of the Scheme is set out in the paragraph headed "Appendix IV — Statutory and general information — D. Share Option Scheme" in the Prospectus. 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 30 April 2018.

PRE-EMPTIVE RIGHTS

There is no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

EVENTS AFTER REPORTING PERIOD

Save as disclosed, up to the date of this report, there was no significant event after the Reporting Period of the Group.

PUBLIC FLOAT

To the best knowledge of the Directors and based on information that is publicly available to the Company as of the date of this report, the Company has maintained sufficient public float required under the GEM Listing Rules.

DIRECTORS' REPORT

AUDITOR

Grant Thornton Hong Kong Limited ("GT") shall retire in the AGM and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of GT as auditor of the Company will be proposed at the AGM. The Company has not changed its external auditor during the Reporting Period and up to the date of this report.

By order of the Board

Tai Kam Holdings Limited

Lau King Shun

Chairman and executive Director

Hong Kong, 25 July 2018

INDEPENDENT AUDITOR'S REPORT



To the members of Tai Kam Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Tai Kam Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 67 to 111, which comprise the consolidated statement of financial position as at 30 April 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 April 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance ("CO").

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter

How our audit addressed the Key Audit Matter

Accounting for construction contracts

Refer to Notes 2.8, 2.14, 4(a), 5 and 16 to the consolidated financial statements.

The Group recognised revenue and cost from construction contracts amounted to approximately HK\$180,097,000 and HK\$160,750,000 respectively for the year ended 30 April 2018, and had amounts due from customers for contract work of approximately HK\$2,505,000 and amounts due to customers for contract works of approximately HK\$5,757,000 as at 30 April 2018.

The Group's revenue and cost of construction contracts are recognised by reference to the stage of completion of the construction contracts at the end of the reporting period with reference to the progress certificates issued by the customers or their agents. The stage of completion requires the management's estimation of the total outcome of the construction contracts. In addition, significant judgement is required in estimating the contract revenue, the contract costs and variation works which may have an impact on percentage of completion of the construction contracts and the corresponding profit taken.

Our procedures in relation to the construction contracts included the following:

- understood the basis of estimation of the budgets through discussion with the management who are responsible for reviewing budgeted costs and budgeted revenue of the construction contracts, and evaluated the reasonableness of the estimated profit margins by taking into account of the profit margins of historical similar projects;
- inspected the terms and conditions of construction contracts such as contract sum, construction period, performance obligations, payment schedule, retention and warranty clauses, etc.;
- assessed and checked the accuracy of the budgeted construction revenue by agreeing to contracts sum or variation orders as set out in the construction contracts, the agreements entered with customers;
- validated the percentage of completion adopted by the management to the position set out in the progress certificates issued by the customers or their agents, including the certified contract work and variation orders, if any, and examined, on a sample basis, the progress certificates issued by the customers or their agents and the actual costs incurred on construction works during the reporting period;
- tested, on a sample basis, the contract costs incurred to date to supporting documents including the subcontractor payment certificates and suppliers' invoices, etc.; and
- assessed the appropriateness of the amounts due from/(to) customers for contract work and performed recalculation on percentage of completion, budgeted costs and gross profit.

We found management's judgements and estimates used in accounting for construction contracts were supported by available evidence.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2018 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the CO, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

25 July 2018

Chan Tze Kit

Practising Certificate No.: P05707

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Revenue	5	180,097	123,502
Direct costs		(160,750)	(105,953)
Gross profit		19,347	17,549
Other income	7	270	200
Administrative expenses		(6,147)	(17,287)
Profit before income tax	8	13,470	462
Income tax expense	9	(2,508)	(3,010)
Profit/(Loss) and total comprehensive income/(expense) for the year attributable to equity holders of the Company		10,962	(2,548)
		HK cents	HK cents
Earnings/(Loss) per share attributable to equity holders of the Company			
Basic and diluted	11	1.37	(0.36)

The notes on pages 71 to 111 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2018

	Notes	2018 HK\$'000	2017 HK\$'000
ASSETS AND LIABILITIES			
Non-current asset			
Plant and equipment	13	6,695	2,215
Current assets			
Trade and other receivables	15	22,879	11,226
Amounts due from customers for contract work	16	2,505	12,731
Cash and bank balances	17	94,165	80,695
		119,549	104,652
Current liabilities			
Trade and other payables	18	17,643	12,660
Amounts due to customers for contract work	16	5,757	1,946
Tax payable		1,725	2,537
		25,125	17,143
Net current assets		94,424	87,509
Total assets less current liabilities		101,119	89,724
Non-current liability			
Deferred tax liabilities	19	702	269
Net assets		100,417	89,455
EQUITY			
Share capital	20	8,000	8,000
Reserves	21	92,417	81,455
Total equity attributable to equity holders of the Company		100,417	89,455

Lau King Shun
Director

Tsui Tsz Fa Mabel
Director

The notes on pages 71 to 111 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2018

	Total equity attributable to equity holders of the Company				
	Share capital HK\$'000 (Note 20)	Share premium* HK\$'000 (Note 21)	Capital reserve* HK\$'000 (Note 21)	Retained earnings* HK\$'000	Total HK\$'000
Balance as at 1 May 2016	—	—	10,100	19,184	29,284
Effect of Reorganisation	—	—	1	—	1
Issue of ordinary shares pursuant to the Capitalisation Issue (Note 20(iii))	6,000	(6,000)	—	—	—
Issue of ordinary shares pursuant to the Placing (Note 20(iv))	2,000	68,000	—	—	70,000
Expenses incurred in connection with the issue of ordinary shares (Note 20(iv))	—	(7,282)	—	—	(7,282)
Loss and total comprehensive expense for the year	—	—	—	(2,548)	(2,548)
Balance as at 30 April 2017 and 1 May 2017	8,000	54,718	10,101	16,636	89,455
Profit and total comprehensive income for the year	—	—	—	10,962	10,962
Balance as at 30 April 2018	8,000	54,718	10,101	27,598	100,417

* These reserves comprise the Group's reserves of approximately HK\$92,417,000 (2017: approximately HK\$81,455,000) in the consolidated statement of financial position.

The notes on pages 71 to 111 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 APRIL 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Cash flows from operating activities			
Profit before income tax		13,470	462
Adjustments for:			
Depreciation		1,332	1,038
Gain on disposal of plant and equipment		(48)	—
Interest income		(222)	(200)
Bad debts written off on trade receivables		41	—
Bad debts written off on retention receivables		32	—
Bad debts written off on prepayments		178	—
Operating profit before working capital changes		14,783	1,300
Changes in working capital:			
(Increase)/Decrease in trade and other receivables		(11,904)	12,075
Decrease/(Increase) in amounts due from customers for contract work		10,226	(9,718)
Increase in trade and other payables		4,983	4,245
Increase/(Decrease) in amounts due to customers for contract work		3,811	(1,140)
Cash generated from operations		21,899	6,762
Tax paid		(2,887)	(5,513)
<i>Net cash generated from operating activities</i>		19,012	1,249
Cash flows from investing activities			
Purchases of plant and equipment		(5,864)	(391)
Proceeds from disposal of plant and equipment		100	—
Interest received		222	200
<i>Net cash used in investing activities</i>		(5,542)	(191)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares of a subsidiary		—	1
Proceeds from issuance of ordinary shares pursuant to the Placing	20(iv)	—	70,000
Payment for share issuance expenses	20(iv)	—	(7,282)
<i>Net cash generated from financing activities</i>		—	62,719
Net increase in cash and cash equivalents		13,470	63,777
Cash and cash equivalents at beginning of year		80,695	16,918
Cash and cash equivalents at end of year, represented by cash and bank balances	17	94,165	80,695

The notes on pages 71 to 111 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General information

Tai Kam Holdings Limited (the “Company”) 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 its registered office and principal place of business are Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and Room 1101, 11/F, Wealth Commercial Centre, 48 Kwong Wa Street, Mong Kok, Kowloon, Hong Kong respectively.

The Company is an investment holding company, its subsidiaries (collectively referred as the “Group”) are principally engaged in undertaking slope works in Hong Kong as main contractor and investment holding.

The Company ceased to be a subsidiary of Classy Gear Limited (“Classy Gear”), a company incorporated in the British Virgin Islands (“BVI”), but Classy Gear remains to be a shareholder of the Company as at 30 April 2018, which is beneficially owned by Mr.Lau King Shun and Mr.Lau Kan Sui Sanny (collectively referred as the “Ultimate Shareholders”).

The Company’s shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 28 October 2016.

The consolidated financial statements for the year ended 30 April 2018 were approved for issue by the board of directors on 25 July 2018.

1.2 Basis of presentation

Pursuant to a group reorganisation, which was completed by interspersing the Company, Sunsky Global Limited (“Sunsky Global”) and Solar Red Investments Limited (“Solar Red”) between Ease Geotechnical Engineering Company Limited (“Ease Geotechnical”) and the controlling shareholders (the “Reorganisation”) in connection with the listing of the Company’s shares on the GEM, 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 Company’s prospectus dated 20 October 2016. The Group was 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.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 30 April 2017 which include the results, changes in equity and cash flows of the companies now comprising the Group have been prepared using the principles of merger accounting under Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the year ended 30 April 2017, or since their respective dates of incorporation, where it is a shorter period.

The consolidated statement of financial position as at 30 April 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at those respective dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance (“CO”) and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“GEM Listing Rules”).

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended HKFRSs and the impacts on the Group’s financial statements, if any, are disclosed in Note 3.

The consolidated financial statements have been prepared on the historical cost basis.

The consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands (“HK\$’000”), except when otherwise indicated.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 April each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

In the Company's statement of financial position, subsidiary is carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost also includes direct attributable costs of investment.

The result of subsidiary is accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.3 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Merger accounting for common control combinations

The consolidated financial statements incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling parties.

The net assets of the combining entities are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

2.5 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation on the assets is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvement	Over the term of lease or 20%, whichever is shorter
Furniture and fixtures	20%
Machinery and equipment	20%
Motor vehicles	20%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial assets

The Group's accounting policies for financial assets are set out below.

Financial assets are classified into loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- Significant financial difficulty of the debtor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- The disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial assets (Continued)

Impairment of financial assets (Continued)

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Impairment losses on financial assets other than trade and retention receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade and retention receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade and retention receivables is remote, the amount considered irrecoverable is written off against trade and retention receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2.7 Impairment of non-financial assets

Plant and equipment and the Company's investment in a subsidiary are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

Impairment loss is charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of non-financial assets (Continued)

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e., a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

2.8 Construction contracts

Construction contracts are contracts specifically negotiated for the construction of an asset or a combination of assets where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in Note 2.14.

When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the reporting date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the reporting date are recorded in the consolidated statement of financial position at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented as "amounts due from customers for contract work" (as an asset) or "amounts due to customers for contract work" (as a liability). Progress billings not yet paid by customers are included in the consolidated statement of financial position under "trade and other receivables". Amounts received before the related work is performed are included under "trade and other payables".

2.9 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand.

2.10 Financial liabilities

The Group's financial liabilities include trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are expensed when incurred. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial liabilities (Continued)

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.11 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.13 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.14 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) Contract revenue

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is generally established according to the progress certificate (by reference to amount of completed works confirmed by the customers or their agents) issued by the customers or their agents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Revenue recognition (Continued)

(i) Contract revenue (Continued)

In practice, the Group makes application to the customer for progress payment normally on a monthly basis or upon the completion of the project. After examination by the customer or its agent, a payment certificate will be issued to the Group certifying the portion of works completed during the period for which progress payment is applied, which normally takes around one to three weeks from the date of application, and therefore the stage of completion for the period is established by reference to the payment certificate issued to the Group.

However, progress certifications might not necessarily take place as at the financial year-end. In case where progress certifications do not take place as at the financial year-end or where the last progress certificate for a work contract during a financial year does not cover a period up to the financial year-end, the revenue for the period from the last progress certification up to the financial year-end is estimated based on the estimated stage of completion with reference to the actual amounts of works performed during such period as indicated by the relevant site records (including site diaries) as well as the rates for the relevant works items as agreed between the customer and the Group.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer or the outcome of which can be estimated reliably by management and are capable of being reliably measured.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

(ii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

2.15 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund ("MPF") Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Employee benefits (Continued)

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.16 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Accounting for income taxes (Continued)

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

When different tax rates apply to different levels of taxable profit, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable profit of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (1) when the existing temporary differences will reverse and (2) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

- profit or loss excluding reversals of temporary differences; and
- reversals of existing temporary differences.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.17 Dividend distribution

Dividend distribution to the equity holders of the Company is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the equity holders or the board of directors, where applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision maker (“CODM”) for their decisions about resources allocation to the Group’s business components and for their review of the performance of those components.

2.19 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person’s family and if that person:
 - (i) has control or joint control of the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (b) the party is an entity and if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group.
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) the entity and the Group are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

3. ADOPTION OF NEW AND AMENDED HKFRSs

Amended HKFRSs that are effective for annual period beginning on or after 1 May 2017

In the current year, the Group has applied the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for these consolidated financial statements for the annual period beginning on 1 May 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle	Disclosure of Interests in Other Entities

The adoption of these amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been early adopted by the Group.

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Lease ²
HKFRS 17	Insurance Contracts ³
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 40	Transfer of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ²
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after 1 January 2021

⁴ Effective date not yet determined

The directors anticipate that all the relevant new and amended HKFRSs will be adopted in the Group's accounting policy for the first period beginning after the effective date of such standards. Information on certain new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

Issued but not yet effective HKFRSs (Continued)

HKFRS 9 “Financial Instruments”

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39 “Financial Instruments: Recognition and Measurement” (“HKAS 39”). HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities. HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 May 2018.

Expected impacts of the new requirements on the Group’s consolidated financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (“FVTPL”) and (3) fair value through other comprehensive income (“FVTOCI”). The Group has assessed that its financial assets currently measured at amortised costs will continue with their classification and measurements upon the adoption of HKFRS 9.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability’s credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the “incurred loss” model in HKAS 39 with an “expected credit loss” model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. In the opinion of the directors of the Company, based on the historical experience and existing business model of the Group, the default rate of the outstanding balances with customers is low.

Hence, the directors of the Company anticipate that the application of HKFRS 9 would not have material impact on the Group’s future consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

Issued but not yet effective HKFRSs (Continued)

HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 and the related clarification to HKFRS 15 (hereinafter referred to as “HKFRS 15”) presents new requirements for the recognition of revenue, replacing HKAS 18 “Revenue”, HKAS 11 “Construction Contracts”, and several revenue-related Interpretations. HKFRS 15 establishes a single comprehensive model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

Based on the assessment completed to date, the Group has identified the timing of revenue recognition which is expected to be affected. The Group’s revenue recognition policies are disclosed in Note 2.14. Currently, revenue arising from construction contracts is recognised over time.

Under HKFRS 15, revenue is recognised when customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

- (a) When the customer simultaneously receives and consumes the benefits provided by the entity’s performance, as the entity performs;
- (b) When the entity’s performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- (c) When the entity’s performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity’s activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when transfer of control occurs.

HKFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. The Group has started to assess the impact of HKFRS 15 and expects to apply HKFRS 15, in accordance with modified retrospective approach under which the cumulative effect of initially applying this standard recognised at the date of initial application (i.e. 1 May 2018). Based on a preliminary assessment, the directors anticipated that the application of HKFRS 15 may result in more disclosures, however, it is not expected to have significant impact on the timing and amounts of revenue recognised in the respective reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

Issued but not yet effective HKFRSs (Continued)

HKFRS 16 “Leases”

HKFRS 16 will replace HKAS 17 and three related Interpretations.

As disclosed in Note 2.11, currently the Group classifies leases into operating leases. The Group enters into leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise a corresponding “right-of-use” asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group’s accounting as a lessee of leases of premises which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss and other comprehensive income over the period of the lease. As disclosed in Note 23, as at 30 April 2018, the Group’s future minimum lease payments under non-cancellable operating leases amount to approximately HK\$1,940,000 for premises. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt HKFRS 16 retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Construction contracts

As explained in Notes 2.8 and 2.14, revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the progress certificate issued by the customers or their agents. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and other direct costs to be incurred with reference to their past experience. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted construction costs by comparing the budgeted amounts to the actual costs incurred.

Significant judgement is required in estimating the contract revenue, contract costs and variation work which may have an impact on percentage of completion of the construction contracts and the corresponding profit taken.

Management exercised their judgements in the estimation of the total outcome of the construction contracts with reference to the latest available information such as progress certificates, and relevant site records and diaries, which includes detailed contract sum and works performed. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of payments and the age and recoverability of any unagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimates is then reflected in the ongoing results.

The carrying amount of amounts due from/(to) customers for contract work as at 30 April 2018 is approximately HK\$2,505,000 (2017: approximately HK\$12,731,000) and HK\$5,757,000 (2017: approximately HK\$1,946,000) respectively.

Details of the amounts due from/(to) customers for contract work are disclosed in Note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Sources of estimation uncertainty (continued)

(b) Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the plant and equipment regularly in order to determine the amount of depreciation charge to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation charge for future periods is adjusted if there are significant changes from previous estimates.

As at 30 April 2018, the carrying amounts of the Group's plant and equipment was approximately HK\$6,695,000 (2017: approximately HK\$2,215,000). Details of plant and equipment are disclosed in Note 13.

(c) Impairment of trade receivables

The Group evaluates whether there is any objective evidence that trade receivables are impaired, and estimates allowances for doubtful debts as a result of the inability of the debtors to make required payments. The Group based on the estimates on the ageing of the trade receivables balance, credit-worthiness of the customer and historical write-off experience to assess the financial conditions of the debtors. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

As at 30 April 2018, the carrying amounts of trade receivables was approximately HK\$11,785,000 (2017: approximately HK\$3,782,000). During the years ended 30 April 2018 and 2017, no provision for impairment of trade receivables was recognised. Bad debts of approximately HK\$41,000 (2017: Nil) have been written off during the year ended 30 April 2018 as the management considered the deteriorating credit quality of this long overdue customer and no amount is expected to be settled subsequent to the end of the reporting period. Details of trade receivables are disclosed in Note 15(a).

5. REVENUE

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

Revenue recognised for the years ended 30 April 2018 and 2017 are as follows:

	2018 HK\$'000	2017 HK\$'000
Contract revenue	<u>180,097</u>	<u>123,502</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

6. SEGMENT INFORMATION

The 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 decision about resources 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:

	2018 HK\$'000	2017 HK\$'000
Customer A	<u>156,005</u>	<u>113,352</u>

7. OTHER INCOME

	2018 HK\$'000	2017 HK\$'000
Bank interest income	222	200
Gain on disposal of plant and equipment	48	—
	<u>270</u>	<u>200</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2018

8. PROFIT BEFORE INCOME TAX

	2018	2017
	HK\$'000	HK\$'000
Profit before income tax is stated after charging/(crediting):		
(a) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	29,113	16,010
Contributions to defined contribution retirement plans	1,147	555
	30,260	16,565
(b) Other items		
Auditor's remuneration		
– Current year	561	591
– Over-provision in respect of prior years	—	(24)
Depreciation	1,332	1,038
Gain on disposal of plant and equipment	(48)	—
Operating lease charges in respect of:		
– Premises	602	522
– Machinery (included in direct costs)	22	45
Subcontracting charges (included in direct costs)	113,038	84,493
Bad debts written off on trade receivables	41	—
Bad debts written off on retention receivables	32	—
Bad debts written off on prepayments	178	—
Listing expenses (included in administrative expenses)	—	12,950

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

9. INCOME TAX EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the 'Bill') which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5%.

For the year ended 30 April 2018, Hong Kong Profits Tax of Tai Kam Construction Engineering Company Limited ("Tai Kam Construction"), a subsidiary of the Group, is calculated in accordance with the two-tiered profits tax rates regime.

For the year ended 30 April 2017, Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the year.

	2018	2017
	HK\$'000	HK\$'000
Current tax		
Hong Kong Profits Tax		
– Current year	2,111	2,505
– (Over)/Under-provision in respect of prior year	(36)	559
	2,075	3,064
Deferred tax		
– Current year (Note 19)	439	(54)
– Effect of change in tax rate (Note 19)	(6)	—
	433	(54)
Income tax expense	2,508	3,010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

9. INCOME TAX EXPENSE (CONTINUED)

Reconciliation between income tax expense and accounting profit at applicable tax rate:

	2018 HK\$'000	2017 HK\$'000
Profit before income tax	<u>13,470</u>	<u>462</u>
Tax on profit before income tax at 16.5% (2017: 16.5%)	2,223	76
Tax effect of non-taxable income	(53)	(33)
Tax effect of non-deductible expenses	549	2,349
Effect of two-tiered profits tax rates regime	(165)	—
Effect on opening deferred tax balance arising from a change in tax rate during the year	(6)	—
(Over)/Under-provision in respect of prior year	(36)	559
Other	(4)	59
Income tax expense	<u>2,508</u>	<u>3,010</u>

10. DIVIDENDS

The directors did not recommend the payment of a dividend for the years ended 30 April 2018 and 2017.

11. EARNINGS/(LOSS) PER SHARE

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

	2018 HK\$'000	2017 HK\$'000
Earnings/(Loss)		
Profit/(Loss) for the year attributable to equity holders of the Company	<u>10,962</u>	<u>(2,548)</u>
Number of shares		
Weighted average number of ordinary shares (in thousands)	<u>800,000</u>	<u>701,370</u>

The weighted average number of ordinary shares used to calculate the basic loss per share for the year ended 30 April 2017 includes (i) 1 and 9,999 ordinary shares in issue at beginning of the year and during the year respectively; (ii) 599,990,000 new ordinary shares issued pursuant to the Capitalisation Issue (Note 20(iii)), as if all these shares had been in issue throughout the year ended 30 April 2017, and (iii) 101,370,000 shares, representing the weighted average of 200,000,000 new ordinary shares issued pursuant to the Placing (Note 20(iv)).

There were no dilutive potential ordinary shares during the years ended 30 April 2018 and 2017 and therefore, diluted earnings/(loss) per share equals to basic earnings/(loss) per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2018

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and chief executive's emoluments

Directors' and chief executive's emoluments, disclosed pursuant to the GEM Listing Rules, section 383(1) of the CO and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Directors' fee	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 30 April 2018					
Executive directors:					
Mr. Lau King Shun (chief executive officer) (Notes i, iv)	—	720	—	18	738
Mr. Lau Kan Sui Sanny (Notes iii, iv)	—	576	—	18	594
Mr. Lau Mei Chai (Notes iii, iv)	—	576	—	18	594
	—	1,872	—	54	1,926
Independent non-executive directors					
Mr. Yim Kin Ping (Note ii)	150	—	—	—	150
Ms. Wong Yuk King (Note ii)	150	—	—	—	150
Mr. Ho Cheuk Wai (Notes ii, iii)	150	—	—	—	150
	450	—	—	—	450
	450	1,872	—	54	2,376

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2018

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS
(CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

	Directors' fee	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 30 April 2017					
Executive directors:					
Mr. Lau King Shun (chief executive officer) (Notes i, iv)	—	480	140	18	638
Mr. Lau Kan Sui Sanny (Notes i, iii, iv)	—	384	—	18	402
Mr. Lau Mei Chai (Notes i, iii, iv)	—	384	—	18	402
	—	1,248	140	54	1,442
Independent non-executive directors					
Mr. Yim Kin Ping (Note ii)	77	—	—	—	77
Ms. Wong Yuk King (Note ii)	77	—	—	—	77
Mr. Ho Cheuk Wai (Notes ii,iii)	77	—	—	—	77
	231	—	—	—	231
	231	1,248	140	54	1,673

Notes:

- (i) Appointed as directors of the Company on 1 April 2016 and re-designated as executive directors on 26 September 2016.
- (ii) Appointed on 25 September 2016.
- (iii) Resigned on 16 May 2018.
- (iv) The emoluments above presented remuneration received by the directors in the capacity of employees and/or directors of the companies comprising the Group.
- (v) Ms. Liu Tanying and Ms. Tsui Tsz Fa Mabel were appointed as executive directors of the Company on 16 May 2018. Mr. Law Hung Pan was appointed as an independent non-executive director of the Company on 16 May 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2018

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS
(CONTINUED)

(b) Five highest paid individuals

The five highest paid individuals of the Group include three (2017: one) directors for the year ended 30 April 2018 whose emoluments are disclosed above. Details of the emoluments of the remaining two (2017: four) highest paid individuals are as follows:

	2018	2017
	HK\$'000	HK\$'000
Salaries, wages and allowances	1,273	2,207
Discretionary bonuses	56	215
Retirement scheme contributions	36	70
	1,365	2,492

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Nil - HK\$1,000,000	2	4

No emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office as a director or management of any members of the Group during the years ended 30 April 2018 and 2017. No directors or the five highest paid individuals has waived or agreed to waive any emoluments during the years ended 30 April 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2018

13. PLANT AND EQUIPMENT

	Leasehold improvement HK\$'000	Furniture and fixtures HK\$'000	Machinery and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 May 2016					
Cost	87	415	1,753	3,498	5,753
Accumulated depreciation	(6)	(23)	(1,021)	(1,841)	(2,891)
Net book amount	81	392	732	1,657	2,862
Year ended 30 April 2017					
Opening net book amount	81	392	732	1,657	2,862
Additions	47	8	336	—	391
Depreciation	(27)	(84)	(310)	(617)	(1,038)
Closing net book amount	101	316	758	1,040	2,215
At 30 April 2017 and 1 May 2017					
Cost	134	423	2,089	3,498	6,144
Accumulated depreciation	(33)	(107)	(1,331)	(2,458)	(3,929)
Net book amount	101	316	758	1,040	2,215
Year ended 30 April 2018					
Opening net book amount	101	316	758	1,040	2,215
Additions	464	412	67	4,921	5,864
Disposals	(52)	—	—	—	(52)
Depreciation	(44)	(108)	(311)	(869)	(1,332)
Closing net book amount	469	620	514	5,092	6,695
At 30 April 2018					
Cost	511	835	2,156	8,419	11,921
Accumulated depreciation	(42)	(215)	(1,642)	(3,327)	(5,226)
Net book amount	469	620	514	5,092	6,695

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

14. INTERESTS IN SUBSIDIARIES

Particulars of the Company's subsidiaries as at 30 April 2018 and 2017 are as follows:

Name of company	Place of incorporation and operation	Type of legal entity	Particulars of issued and paid up capital	Equity interest held by the Company	Principal activities
Sunsy Global	BVI	Limited liability	200 ordinary shares of USD 1 each	100%# (2017:100%#)	Investment holding
Solar Red	BVI	Limited liability	1 ordinary share of USD 1 each	100% (2017:100%)	Intellectual properties holding and provision of administrative service to its group companies
Ease Geotechnical	Hong Kong	Limited liability	10,100,000 ordinary shares	100% (2017:100%)	Investment holding and undertaking slope works
Tai Kam Construction	Hong Kong	Limited liability	10,100,000 ordinary shares	100% (2017:100%)	Undertaking slope works

The issued capital of Sunsy Global was held by the Company directly.

15. TRADE AND OTHER RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Trade receivables (note (a))	11,785	3,782
Retention receivables (note (b))	8,104	4,278
Other receivables and deposits	764	799
Prepayments (note (c))	2,207	2,348
Amount due from a related company (note (d))	19	—
Amount due from ultimate holding company (note (d))	—	19
	22,879	11,226

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) Trade receivables

The Group usually grants credit period from 21 to 60 days (2017: 21 to 60 days) to customers.

The ageing analysis of the trade receivables based on the invoice dates is as follows:

	2018	2017
	HK\$'000	HK\$'000
0 - 30 days	8,693	3,219
31 - 60 days	2,902	523
61 - 90 days	190	—
Over 90 days	—	40
	11,785	3,782

At each reporting date, the Group reviewed trade receivables for evidence of impairment on both an individual and collective basis. During the year ended 30 April 2018, the Group had written off trade receivables of approximately HK\$41,000 (2017: Nil) from a long overdue customer.

The Group did not hold any collateral as security or other credit enhancements over the trade receivables, whether determined on individual or collective basis.

The ageing analysis of trade receivables that are not impaired, based on due date, is as follows:

	2018	2017
	HK\$'000	HK\$'000
Neither past due nor impaired	8,693	3,544
1 – 30 days past due	2,902	198
31- 60 days past due	190	—
Over 60 days past due	—	40
	3,092	238
	11,785	3,782

Trade receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to customers that have a good track record with the Group. Based on past credit history, management believe that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Retention receivables

Retention receivables are interest-free and repayable approximately one year after the expiry of the defect liability period of construction projects.

The balances of retention receivables as at 30 April 2018 and 2017 were neither past due nor impaired. They are related to customers for whom there was no recent history of default. During the year ended 30 April 2018, the Group had written off retention receivables of approximately HK\$32,000 (2017: Nil).

(c) Prepayments

During the year ended 30 April 2018, the Group had written off prepayments for suppliers of approximately HK\$178,000 (2017: Nil).

(d) Amount due from ultimate holding company/a related company

The amount due is unsecured, interest free and repayable on demand.

16. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	2018 HK\$'000	2017 HK\$'000
Contract costs incurred plus recognised profits less recognised losses	344,789	178,683
Less: Progress billings	<u>(348,041)</u>	<u>(167,898)</u>
	<u>(3,252)</u>	<u>10,785</u>
Recognised and included in the consolidated statement of financial position as:		
– Amounts due from customers for contract work	2,505	12,731
– Amounts due to customers for contract work	<u>(5,757)</u>	<u>(1,946)</u>
	<u>(3,252)</u>	<u>10,785</u>

All amounts due from/(to) customers for contract work are expected to be recovered/settled within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

17. CASH AND BANK BALANCES

	2018 HK\$'000	2017 HK\$'000
Cash at banks and in hand	<u>94,165</u>	<u>80,695</u>

Notes:

- (i) Cash at banks earns interest at floating rates based on daily bank deposit rates.
- (ii) During the year ended 30 April 2017, the Group had an aggregate combined limited of HK\$15,000,000, within which the sublimits of the overdraft facility of HK\$2,000,000 and clean export loan of HK\$15,000,000 apply, which was secured by the charge over deposit of HK\$3,000,000 and an unlimited guarantee of the Company. The Group did not utilise this facility, which was released on 15 November 2016.

18. TRADE AND OTHER PAYABLES

	2018 HK\$'000	2017 HK\$'000
Trade payables (note (a))	9,467	8,322
Retention payables (note (b))	4,793	2,292
Accruals and other payables	3,383	2,046
	<u>17,643</u>	<u>12,660</u>

Notes:

(a) Trade payables

The ageing analysis of trade payables based on invoice date is as follows:

	2018 HK\$'000	2017 HK\$'000
0 - 30 days	8,493	8,322
31 - 60 days	662	—
61 - 90 days	312	—
	<u>9,467</u>	<u>8,322</u>

The Group is granted by its suppliers a credit period ranging from 0 to 30 days (2017: 0 to 30 days).

(b) Retention payables

Retention payables are interest-free and settled in accordance with the terms of the respective contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

19. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using taxation rate of 16.5% in Hong Kong for the year ended 30 April 2017 and using the average tax rates that are expected to apply to the taxable profits of the years in which the temporary differences are expected to be utilised for the year ended 30 April 2018.

The movements in deferred tax liabilities and recognised in the consolidated statement of the financial position during the year are as follows:

	Accelerated tax depreciation HK\$'000
As at 1 May 2016	323
Credited to profit or loss (Note 9)	(54)
As at 30 April and 1 May 2017	269
Charged to profit or loss (Note 9)	439
Effect of change in tax rate (Note 9)	(6)
As at 30 April 2018	<u>702</u>

As at 30 April 2018 and 2017, the Group did not have any material unrecognised deferred taxation.

20. SHARE CAPITAL

	2018		2017	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Ordinary share of HK\$0.01 each				
As at the beginning of the reporting period	2,000,000,000	20,000	10,000,000	100
Increase in authorised share capital (note i)	—	—	1,990,000,000	19,900
As at the end of the reporting period	<u>2,000,000,000</u>	<u>20,000</u>	<u>2,000,000,000</u>	<u>20,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2018

20. SHARE CAPITAL (CONTINUED)

	2018		2017	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Issued and fully paid:				
As at the beginning of the reporting period	800,000,000	8,000	1	—
Issuance of ordinary shares (note ii)	—	—	9,999	—
Issuance of ordinary shares pursuant to the Capitalisation Issue (note iii)	—	—	599,990,000	6,000
Issuance of ordinary shares pursuant to the Placing (note iv)	—	—	200,000,000	2,000
As at the end of the reporting period	800,000,000	8,000	800,000,000	8,000

Notes:

- (i) Pursuant to the written resolutions of the then sole shareholder passed on 26 September 2016, the authorised share capital of the Company was increased from HK\$100,000 to HK\$20,000,000 by the creation of additional of 1,990,000,000 shares of HK\$0.01 each, each ranking *pari passu* in all respects.
- (ii) The Company is a limited liability company incorporated in the Cayman Islands on 1 April 2016 with authorised share capital of HK\$100,000 divided into 10,000,000 ordinary shares of a par value of HK\$0.01 each. 1 share was allotted and issued nil-paid to the subscriber and was subsequently transferred to Classy Gear on the same day. On 17 June 2016, the 1 nil-paid share held by Classy Gear was credited as fully paid, and 9,999 shares, all credited as fully paid, were allotted and issued to Classy Gear.
- (iii) 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").
- (iv) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

21. RESERVES

The amounts of the Group's reserves and the movements during the year are presented in the consolidated statement of changes in equity of the consolidated financial statements.

Share premium

The share premium represents the difference between the par value of the shares of the Company and net proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to the shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

Capital reserve

Capital reserve of the Group as at 30 April 2018 and 2017 represents the difference between the nominal values of the share capital of subsidiaries acquired by the Group and the nominal value of the Company's shares issued for the acquisition under the Reorganisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2018

22. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018	2017
	HK\$'000	HK\$'000
ASSETS AND LIABILITIES		
Non-current asset		
Investment in a subsidiary	10,183	10,183
Currents assets		
Amounts due from subsidiaries	45,865	48,485
Bank balance	120	120
	45,985	48,605
Current liability		
Other payables	315	10
Net current assets	45,670	48,595
Net assets	55,853	58,778
EQUITY		
Share capital	8,000	8,000
Reserves (note)	47,853	50,778
Total equity	55,853	58,778

Approved and authorised for issue by the board of directors on 25 July 2018.

Lau King Shun
Director

Tsui Tsz Fa Mabel
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2018

22. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: The movements of the Company's reserves are as follows:

	Share premium HK\$'000 (Note 21)	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total reserves HK\$'000
Balance as at 1 May 2016	—	—	—	—
Effect of Reorganisation	—	10,183	—	10,183
Issuance of ordinary shares pursuant to the Capitalisation Issue (Note 20(iii))	(6,000)	—	—	(6,000)
Issuance of ordinary shares pursuant to the Placing (Note 20(iv))	68,000	—	—	68,000
Expenses incurred in connection with the issuance of ordinary shares (Note 20(iv))	(7,282)	—	—	(7,282)
Loss and total comprehensive expense for the year	—	—	(14,123)	(14,123)
Balance as at 30 April 2017 and 1 May 2017	54,718	10,183	(14,123)	50,778
Loss and total comprehensive expense for the year	—	—	(2,925)	(2,925)
Balance as at 30 April 2018	54,718	10,183	(17,048)	47,853

Capital reserve

Capital reserve of the Company represents the difference between the total equity of Sunsky Global acquired by the Company pursuant to the Reorganisation over the nominal value of the Company's shares issued in exchange therefor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

23. OPERATING LEASE COMMITMENTS

At 30 April 2018 and 2017, the total future minimum lease payments payable by the Group under non-cancellable operating leases in respect of premises are as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	885	254
In the second to fifth years	1,055	—
	<u>1,940</u>	<u>254</u>

The leases typically run for an initial period of one to three years (2017: one year). The lease does not include contingent rentals.

24. CAPITAL COMMITMENTS

At 30 April 2018 and 2017, capital commitments of the Group are as follows:

	2018 HK\$'000	2017 HK\$'000
Contracted but not provided for		
– Plant and equipment	—	610
	<u>—</u>	<u>610</u>

25. RELATED PARTY TRANSACTIONS

(a) During the years ended 30 April 2018 and 2017, the following parties are identified as related parties of the Group:

Name	Relationship with the Group
Mr. Lau King Shun	One of the Ultimate Shareholders and an executive director of the Company
Mr. Lau Kan Sui Sanny	One of the Ultimate Shareholders and an executive director of the Company
Mr. Lau Mei Chai	An executive director of the Company
Classy Gear	Related company (2017: Ultimate holding company) beneficially owned by Mr. Lau King Shun and Mr. Lau Kan Sui Sanny (note)

Note: Classy Gear ceased to be the Company's ultimate holding company and becomes a related company of the Group during the year ended 30 April 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2018

25. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel remuneration

The emoluments of the directors and senior management of the Company, who represent the key management personnel during the years ended 30 April 2018 and 2017 are as follows:

	2018	2017
	HK\$'000	HK\$'000
Salaries, fee and allowances	3,694	2,914
Discretionary bonuses	56	355
Retirement scheme contributions	96	103
	3,846	3,372

(c) Balance with related party

The detail of the balance with ultimate holding company/a related company is disclosed in Note 15(d) to the consolidated financial statements. The maximum outstanding balance during the year ended 30 April 2018 is approximately HK\$19,000 (2017: approximately HK\$19,000).

(d) Material related party transaction

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following material related party transaction during the year:

Name of related party	Nature	2018	2017
		HK\$'000	HK\$'000
Mr. Lau Kan Sui Sunny and Mr. Lau Mei Chai	Rental expenses	32	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

26. CONTINGENT LIABILITIES

As at 30 April 2018 and 2017, the Group has been involved in a number of claims, litigations and potential claims against the Group regarding the employees' compensation and common law personal injury claim. The directors are of the opinion that the claims and litigations are not expected to have a material impact on the Group's financial statements, and the outcome for potential claims is uncertain. Accordingly, no provision has been made to the consolidated financial statements.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations. The financial risks include interest rate risk, credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the Board of Directors.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

27.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and liability:

	2018 HK\$'000	2017 HK\$'000
Financial assets		
Loans and receivables:		
– Trade and other receivables	20,672	8,878
– Cash and bank balances	94,165	80,695
	<u>114,837</u>	<u>89,573</u>
Financial liability		
At amortised cost:		
– Trade and other payables	17,643	12,660
	<u>17,643</u>	<u>12,660</u>

27.2 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The exposure to interest rate risk for the Group's bank balances is considered immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

27.3 Credit risk

Credit risk arises mainly from trade and other receivables and cash and bank balances. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

As at 30 April 2018, trade and retention receivables from an individual customer accounted for 73% (2017: 63%) of the total trade and retention receivables.

27.4 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Management monitors the cash flow forecasts of the Group in meeting its liabilities.

As at 30 April 2018 and 2017, the Group's remaining contractual maturities for its financial liabilities will be either on demand or within one year. The carrying amounts of its financial liabilities approximate their contractual undiscounted cash flows.

27.5 Fair value measurement

The carrying amounts of the Group's financial assets and liabilities carried at amortised cost are not materially different from their fair values as at 30 April 2018 and 2017 due to their short maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

28. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to maintain capital structure in order to minimise the costs of capital, support its business and maximise shareholders' value.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the debt to equity ratio. For this purpose, debt is defined as borrowings net of cash and bank balances. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, share buyback, issue new shares and raise new debts.

As at 30 April 2018 and 2017, the debt to equity ratio was not presented as the Group had no borrowing.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last three financial years, extracted from the audited financial statements in this annual report and the Prospectus of the Company dated 20 October 2016, is as follows:

RESULTS

	For the year ended 30 April		
	2018	2017	2016
	HK\$'000	HK\$'000	HK\$'000
Revenue	180,097	123,502	97,194
Direct costs	(160,750)	(105,953)	(77,561)
Gross profit	19,347	17,549	19,633
Other income	270	200	53
Administrative expenses	(6,147)	(17,287)	(3,842)
Profit before income tax	13,470	462	15,844
Income tax expense	(2,508)	(3,010)	(2,942)
Profit/(Loss) and total comprehensive income/(expense) for the year attributable to equity holders of the Company	10,962	(2,548)	12,902

ASSETS AND LIABILITIES

	As at 30 April		
	2018	2017	2016
	HK\$'000	HK\$'000	HK\$'000
Total assets	126,244	106,867	46,094
Total liabilities	(25,827)	(17,412)	(16,810)
Total equity	100,417	89,455	29,284