



**Tai Kam Holdings Limited**

**泰錦控股有限公司**

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8321

**2018**

**FIRST QUARTERLY  
REPORT**

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

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

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This report, for which the directors (the “Director(s)”) of Tai Kam Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) 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.

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## **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

### **COMPLIANCE ADVISER**

Grande Capital Limited

### **LEGAL ADVISER**

Guantao & Chow Solicitors and Notaries

### **PRINCIPAL BANKER**

Bank of Communications Co., Ltd

## **REGISTERED OFFICE**

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

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

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

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

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

## **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

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

## FINANCIAL HIGHLIGHTS

Revenue amounted to approximately HK\$35.7 million for the three months ended 31 July 2018 (the "Reporting Period") (2017: approximately HK\$33.6 million), representing an increase of approximately 6.2% as compared with the corresponding period of last year.

Profit attributable to the equity holders of the Company for the three months ended 31 July 2018 amounted to approximately HK\$1.2 million (2017: profit attributable to the equity holders of approximately HK\$2.5 million), representing a decrease of approximately 53.4% as compared with the corresponding period of last year.

Basic and diluted earnings per share amounted to approximately HK0.15 cents for the three months ended 31 July 2018 (2017: basic and diluted earnings per share of approximately HK0.32 cents).

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

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

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

The majority of our revenue during the Reporting Period was derived from undertaking slope works commissioned by the Civil Engineering and Development Department of the Government (the “CEDD”). In 2010, the Geotechnical Engineering Office of the CEDD launched the Landslip Prevention and Mitigation Programme to systematically deal with the landslide risk associated with both man-made slopes and natural hillside in Hong Kong. According to the Government’s statement upon the launch of the Landslip Prevention and Mitigation Programme, the Government estimated that the annual expenditure on the Landslip Prevention and Mitigation Programme would be at least HK\$600 million, and the Landslip Prevention and Mitigation Programme would be implemented on a rolling basis annually to upgrade 150 Government man-made slopes, to conduct safety-screening studies on 100 private man-made slopes, and to implement studies and necessary risk mitigation works for 30 natural hillside catchments every year. 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 approximately HK\$1,030.0 million of estimated expenditure in 2018. As a result, our slope work business also benefited from the overall positive atmosphere in the industry.

However, Hong Kong public works contractors are facing the risk of slower approval progress for public works projects by the Legislative Council of Hong Kong which could result in potential delays in public works projects. In addition, as 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.

## **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\$2.1 million or approximately 6.2% from approximately HK\$33.6 million for the three months ended 31 July 2017 to approximately HK\$35.7 million for the three months ended 31 July 2018. The increase in revenue was mainly due to increase in works performed from CEDD and Lands Department's slope work projects recognised with reference to the progress certificate under relevant contracts for the three months ended 31 July 2018.

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 decreased by approximately HK\$1.9 million or approximately 43.8% from approximately HK\$4.4 million for the three months ended 31 July 2017 to approximately HK\$2.5 million for the three months ended 31 July 2018 and the Group's gross profit margin decreased from approximately 13.0% for the three months ended 31 July 2017 to approximately 6.9% for the three months ended 31 July 2018. The decrease in gross profit and decrease in gross profit margin was mainly due to more revenue contribution from contracts with lower margin through the substantial use of subcontractors and labourers and thus offset the increase in the revenue for the three months ended 31 July 2018.

The Group's direct costs increased by approximately HK\$4.0 million or approximately 13.7% from approximately HK\$29.3 million for the three months ended 31 July 2017 to approximately HK\$33.3 million for the three months ended 31 July 2018. The increase in direct costs are mainly increase in labour cost and subcontracting charges from those projects with substantial use of subcontractors and labourers for the three months ended 31 July 2018.

### **Administrative Expenses**

The Group's administrative expenses slightly decreased by approximately HK\$0.1 million or approximately 8.8% from approximately HK\$1.2 million for the three months ended 31 July 2017 to approximately HK\$1.1 million for the three months ended 31 July 2018. Administrative expenses consist primarily of staff costs, professional fees, depreciation, rental expenses and other administrative expenses. The slight decrease in the Group's administrative expenses was mainly due to relocating the Group's head office since December 2017 resulting in less rental expenses incurred for the three months ended 31 July 2018.



### **Finance cost**

Finance cost for the Group amounted to approximately HK\$18,000 for the three months ended 31 July 2018 while no such expense was incurred for the three months ended 31 July 2017. Finance cost represented the interest expense charged on an advance from a related company which was incurred during the three months ended 31 July 2018.

### **Net profit**

Net profit amounted to approximately HK\$1.2 million for the three months ended 31 July 2018 as compared to a net profit of approximately HK\$2.5 million for three months ended 31 July 2017. Such decrease in net profit was primarily attributable to the decrease in gross profit for the three months ended 31 July 2018 as discussed above.

## OTHER INFORMATION

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

As at 31 July 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 Director	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 (Notes 1 and 2)	277,320,000	34.66%

Notes:

- (1) These shares are registered in the name of Classy Gear Limited ("Classy Gear"), the issued share capital of which is legally and beneficially owned as to 75% by Mr. Lau King Shun ("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 the 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.

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

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity/ Nature of interest</b>	<b>Number of shares held/ interested</b>	<b>Approximate percentage of shareholdings</b>
Mr. Lau King Shun	Classy Gear Limited	Beneficial owner ( <i>Note 1</i> )	75	75%

*Note:*

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

Save as disclosed above, as at 31 July 2018, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

So far as the Directors are aware, as at 31 July 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.

<b>Name</b>	<b>Capacity/Nature of interest</b>	<b>Number of shares held/interested</b>	<b>Approximate percentage of shareholdings</b>
Classy Gear Limited	Beneficial owner	277,320,000	34.66%
Ms. Lam Wai Yin	Interest of spouse ( <i>Note 1</i> )	277,320,000	34.66%
Ms. Chung King Fung	Interest of spouse ( <i>Note 2</i> )	277,320,000	34.66%
Mr. Lau Kan Sui Sanny	Interest held jointly with other persons; Interest in a controlled corporation ( <i>Notes 3 and 4</i> )	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.
- (3) These shares are registered in the name of Classy Gear, the issued share capital of which is legally and beneficially owned as to 75% by Mr. KS Lau and 25% by Mr. Sanny Lau. Therefore, Mr. KS Lau is deemed or taken to be interested in the shares held by Classy Gear under the SFO.
- (4) 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.

Save as disclosed above, as at 31 July 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.

## **COMPETING INTEREST**

The controlling shareholders of the Company, our 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 three months ended 31 July 2018.

## **COMPLIANCE ADVISER'S INTERESTS**

As at 31 July 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 its close associates (as defined under the GEM Listing Rules) had any interests in the securities to 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 three months ended 31 July 2018 and up to the date of this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE CODE**

During the three months ended 31 July 2018 and up to the date of this report, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules save for the deviation from code provision A.2.1 explained below. Ever since the Company appointed 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 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 the Group and will provide strong and consistent leadership to the Group. In addition, due to the presence of three independent non-executive Directors which represent half of the Board, the Board considers that there is a balance of power and authority such that no one individual has unfettered power of decision. Accordingly, the Company has not segregated the roles of its chairman and chief executive officer as required by Code Provision A.2.1 of Appendix 15 to the GEM Listing Rules.

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

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

## **DIVIDENDS**

The Board does not recommend the payment of an interim dividend for the three months ended 31 July 2018 (2017: nil).

## **SHARE OPTION SCHEME**

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

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

## **AUDIT COMMITTEE**

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

By order of the Board

**Tai Kam Holdings Limited**

**Lau King Shun**

Chairman and executive Director

Hong Kong, 14 September 2018

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

FOR THE THREE MONTHS ENDED 31 JULY 2018

		For the three months ended 31 July	
Notes		2018	2017
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
<b>Revenue</b>	3	<b>35,718</b>	33,629
Direct costs		<b>(33,255)</b>	(29,250)
<b>Gross profit</b>		<b>2,463</b>	4,379
Other income	4	<b>1</b>	–
Administrative expense		<b>(1,101)</b>	(1,207)
Finance cost	6	<b>(18)</b>	–
<b>Profit before income tax</b>	5	<b>1,345</b>	3,172
Income tax expense	7	<b>(165)</b>	(638)
<b>Profit and total comprehensive income for the period attributable to equity holders of the Company</b>		<b>1,180</b>	2,534
		<b>HK cents</b>	HK cents
<b>Earnings per share attributable to equity holders of the Company</b>			
Basic and diluted	10	<b>0.15</b>	0.32

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

	Total equity attributable to equity holders of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (Note)	Retained earnings HK\$'000	Total HK\$'000
Balance as at 1 May 2017	8,000	54,718	10,101	16,636	89,455
Profit and total comprehensive income for the period	—	—	—	2,534	2,534
Balance as at 31 July 2017 (unaudited)	<u>8,000</u>	<u>54,718</u>	<u>10,101</u>	<u>19,170</u>	<u>91,989</u>
Balance as at 1 May 2018	8,000	54,718	10,101	27,598	100,417
Profit and total comprehensive income for the period	—	—	—	1,180	1,180
<b>Balance as at 31 July 2018 (unaudited)</b>	<b><u>8,000</u></b>	<b><u>54,718</u></b>	<b><u>10,101</u></b>	<b><u>28,778</u></b>	<b><u>101,597</u></b>

Note: Capital reserve 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 UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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 located at Clifton House, 75 Fort Street, PO 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. The Group is 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 31 July 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 on 28 October 2016.

## 2. BASIS OF PREPARATION AND REORGANISATION

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 July 2018 has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standard, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

The unaudited condensed 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 unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 30 April 2018.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements of the Group are consistent with those used in the audited annual consolidated financial statements of the Group for the year ended 30 April 2018, except for the adoption of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group’s operations and mandatory for accounting periods beginning on 1 May 2018. The effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group’s results of operations or financial position.

## 2. BASIS OF PREPARATION AND REORGANISATION (CONTINUED)

The Group has not early adopted the new or amended HKFRSs that have been issued but are not yet effective for the three months ended 31 July 2018. The Directors anticipate that the application of these new or amended HKFRSs will have no material impact on the results and financial position of the Group.

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

## 3. REVENUE AND SEGMENT INFORMATION

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

	For the three months ended 31 July	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Contract revenue	<u>35,718</u>	<u>33,629</u>

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

### (a) Geographical information

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

### 3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### (b) Major customers

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

	For the three months ended 31 July	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Customer A	20,566	31,372
Customer B	11,299	N/A (Note)
Customer C	3,853	N/A (Note)
	<u>25,718</u>	<u>31,372</u>

Note: The corresponding revenue did not individually contribute over 10% of the Group's revenue for the corresponding period ended 31 July 2017.

### 4. OTHER INCOME

	For the three months ended 31 July	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Bank interest income	1	–
	<u>1</u>	<u>–</u>

## 5. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging:

	For the three months ended 31 July	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>(a) Staff costs (including directors' emoluments)</b>		
Salaries, wages and other benefits	8,153	4,216
Contributions to defined contribution retirement plans	331	192
	<u>8,484</u>	<u>4,408</u>
<b>(b) Other items</b>		
Depreciation	462	243
Operating lease charges in respect of:		
– Premises	247	117
– Machinery (included in direct costs)	1	–
Subcontracting charges (included in direct costs)	21,700	22,410
	<u>21,700</u>	<u>22,410</u>

## 6. FINANCE COST

	For the three months ended 31 July	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest expenses on other borrowings	<u>18</u>	<u>–</u>

## 7. INCOME TAX EXPENSE

	For the three months ended 31 July	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>Current tax</b>		
– Hong Kong Profits Tax	<u>165</u>	<u>638</u>

## 7. INCOME TAX EXPENSE (CONTINUED)

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%. Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department, for the three months ended 31 July 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 three months ended 31 July 2017, Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the period.

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

## 8. DIVIDEND

The Board do not recommend the payment of an interim dividend for the three months ended 31 July 2018 (2017: nil).

## 9. RELATED PARTY TRANSACTIONS

Name of related parties	Nature	For the three months ended 31 July	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Mr. Lau Kan Sui Sanny and Mr. Lau Mei Chai	Rental expenses	24	–
Classy Gear Limited	Finance cost (Note)	18	–

Note: The amount due to Classy Gear Limited is unsecured, interest bearing at 2% per annum on the principal and repayable on 5 January 2019.

## 10. EARNINGS PER SHARE

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

	For the three months ended 31 July	
	2018 HK\$'000 <i>(Unaudited)</i>	2017 HK\$'000 <i>(Unaudited)</i>
<b>Earnings</b>		
Profit for the period attributable to equity holders of the Company	<u>1,180</u>	<u>2,534</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares (in thousands)	<u>800,000</u>	<u>800,000</u>

The weighted average number of ordinary shares used to calculate the basic earnings per share for the three months ended 31 July 2018 and 2017 represents 800,000,000 shares in issue throughout the period.

There were no dilutive potential ordinary shares during the three months ended 31 July 2018 and 2017 and therefore, diluted earnings per share equals to basic earnings per share.