



Tai Kam Holdings Limited

泰錦控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8321

2018

INTERIM 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 with effect on 16 May 2018)
Mr. Lau Mei Chai
(resigned with effect on 16 May 2018)
Ms. Tsui Tsz Fa Mabel
(appointed with effect on 16 May 2018)
Ms. Liu Tanying
(appointed with effect on 16 May 2018)

Independent non-executive Directors

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

CORPORATE INFORMATION

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\$69.5 million for the six months ended 31 October 2018 (the “Reporting Period”) (2017: approximately HK\$66.5 million), representing an increase of approximately 4.4% as compared with the corresponding period of 2017.

Profit attributable to the equity holders of the Company for the six months ended 31 October 2018 amounted to approximately HK\$0.8 million (2017: profit attributable to the equity holders of approximately HK\$3.9 million).

Basic and diluted earnings per share amounted to approximately HK0.10 cents for the six months ended 31 October 2018 (2017: basic and diluted earnings per share of approximately HK0.49 cents).

The board of Directors (the “Board”) does not recommend a payment of an interim dividend for the six months ended 31 October 2018 (2017: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Company, together with its subsidiaries (the “Group”), is principally engaged in construction and undertaking slope works and renovation works in Hong Kong.

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 hillsides 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 benefits from the overall positive atmosphere in the industry.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue represents receipts from the provision of construction service in undertaking slope works and renovation 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. Renovation works refer to the fitting out work for premise in Hong Kong.

The Group's revenue increased by approximately HK\$2.9 million or approximately 4.4% from approximately HK\$66.5 million for the six months ended 31 October 2017 to approximately HK\$69.5 million for the six months ended 31 October 2018. The increase in revenue was mainly due to increase in works performed from slope work projects recognised with reference to the progress certificate under relevant contracts and renovation works for the six months ended 31 October 2018 while no revenue was generated from renovation works for the six months ended 31 October 2017.

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 construction in Hong Kong as a single operating segment and review the overall results of the Group as a whole to make decisions on resources 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\$2.3 million or approximately 29.7% from approximately HK\$7.7 million for the six months ended 31 October 2017 to approximately HK\$5.4 million for the six months ended 31 October 2018 and the Group's gross profit margin decreased from approximately 11.6% for the six months ended 31 October 2017 to approximately 7.8% for the six months ended 31 October 2018. The decrease in gross profit and gross profit margin was mainly due to more revenue contribution from contracts with lower margin undertaking by substantial use of subcontractors and labourers and thus offset the increase in the revenue for the six months ended 31 October 2018.

The Group's direct costs increased by approximately HK\$5.2 million or approximately 8.9% from approximately HK\$58.9 million for the six months ended 31 October 2017 to approximately HK\$64.1 million for the six months ended 31 October 2018. The increase of direct costs is mainly due to the increase in subcontracting charges and labour cost for the six months ended 31 October 2018.

Administrative expenses

The Group's administrative expenses increased by approximately HK\$1.1 million or approximately 35.4% from approximately HK\$3.0 million for the six months ended 31 October 2017 to approximately HK\$4.1 million for the six months ended 31 October 2018. Administrative expenses consist primarily of staff costs, professional fees, depreciation, rental expenses and other administrative expenses. The increase in the Group's administrative expenses was mainly due to an increase in administrative staff cost and professional fees for the six months ended 31 October 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance cost

Finance cost for the Group amounted to approximately HK\$83,000 for the six months ended 31 October 2018 while no such expense was incurred for the six months ended 31 October 2017. Finance cost represented the interest expense charged on an advance from a related company which was incurred during the six months ended 31 October 2018.

Net Profit

Net profit amounted to approximately HK\$0.8 million for the six months ended 31 October 2018 as compared with net profit of approximately HK\$3.9 million for six months ended 31 October 2017. Such decrease in net profit was primarily attributable to the decrease in gross profit and increase in administrative expenses for the six months ended 31 October 2018 as discussed above.

LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, 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").

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.

CASH POSITION

As at 31 October 2018, the cash and bank balances of the Group amounted to approximately HK\$109.7 million (as at 30 April 2018: approximately HK\$94.2 million), representing an increase of approximately HK\$15.6 million as compared to that as at 30 April 2018.

PLEDGE OF ASSETS

There was no pledge of assets as at 31 October 2018 (as at 30 April 2018: nil).

GEARING RATIO

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

Our gearing ratio was approximately 12.9% as at 31 October 2018 and was zero as at 30 April 2018. As at 31 October 2018, we had an amount due to a related company of approximately HK\$13.1 million. As at 30 April 2018, we 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 were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollars. For the six months ended 31 October 2018 and for the six months ended 31 October 2017, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates.

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 six months ended 31 October 2018 (2017: nil).

CAPITAL COMMITMENTS

As at 31 October 2018, the Group did not have any capital commitments (30 April 2018: nil).

CONTINGENT LIABILITIES

There were no significant contingent liabilities of the Group as at 31 October 2018 (30 April 2018: 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 equity capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 October 2018, the Group had a cash advance of HK\$13,000,000 outstanding, interest bearing at 2% per annum on the principal, maturing on 5 January 2019. As at 30 April 2018, we did not have any outstanding borrowings.

As at 31 October 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 111 employees (including executive Directors) as at 31 October 2018 (as at 30 April 2018: 144 employees). Remuneration is determined with reference to market terms and the performance, qualifications and experience of the individual employee. Remuneration includes monthly salaries, performance linked bonuses, retirement benefits schemes and other allowance and benefits.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Apart from the reorganisations in relation to the listing of the shares of the Company (the "Listing") as disclosed in the Prospectus, there were no significant investments held, material acquisitions or disposals of subsidiaries and associates during the six months ended 31 October 2018. Save for the business plan as disclosed in the Prospectus, there was no plan for material investments or capital assets as at 31 October 2018.

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

An analysis of the utilization of the net proceeds from the Listing Date (as defined in the Prospectus) up to 31 October 2018 is set out below:

	Business objectives as stated in the Prospectus	Actual business progress up to 31 October 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 31 October 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 which fully utilized the amount for acquiring necessary machinery, equipment and motor vehicles.
Additional staff costs for undertaking additional Government slope works contracts	Approximately HK\$26.46 million would be used from the Latest Practicable Date up to 31 October 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\$15.98 million for recruiting and retaining additional staff for one new CEDD project, one new Housing Authority project and two new Lands Department projects (including site agents, safety officers and labour officers) up to 31 October 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

	Business objectives as stated in the Prospectus	Actual business progress up to 31 October 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 up to 31 October 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\$3.46 million for undertaking four new projects awarded to the Group up to 31 October 2018.
Amount earmarked for satisfying applicable working capital requirement for undertaking additional Government slope works contracts	Approximately HK\$8.00 million was earmarked from the Latest Practicable Date up to 30 April 2019 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 which fully utilised the amount earmarked for satisfying the working capital requirement.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

From the Listing Date up to 31 October 2018, the net proceeds from the Placing were applied as follows:

	Planned use of proceeds as stated in the Prospectus up to 31 October 2018 HK\$' million	Actual use of proceeds up to 31 October 2018 HK\$'million
Addition of machinery, equipment and motor vehicles	3.30	3.30
Additional staff costs	26.46	15.98
Other related initial costs	3.60	3.46
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 material modification of the use of proceeds described in the Prospectus was required.

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 October 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 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 which 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.

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

As at 31 October 2018, the Company had not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

COMPETING INTEREST

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

COMPLIANCE ADVISER'S INTERESTS

As at 31 October 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 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.

OTHER INFORMATION

CHANGE IN DIRECTOR'S INFORMATION

Pursuant to rule 17.50A(1) of the GEM Listing Rules, the change in information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of rule 17.50(2) of the GEM Listing Rules is as follows:

The monthly salary of Mr. Lau King Shun ("Mr. KS Lau") (executive Director) was increased from HK\$60,000 per month to HK\$120,000 per month with effect from the month of August 2018.

Classy Gear Limited ("Classy Gear"), a company legally and beneficially owned as to 75% by Mr. KS Lau, had been a controlling shareholder of the Company immediately prior to its disposal of shares representing approximately 11.15% of the issued share capital of the Company on 10 August 2018, after which Classy Gear held approximately 19.51% of the issued share capital of the Company and ceased to be a controlling shareholder (as defined in the GEM Listing Rules), but instead was a substantial shareholder (as defined in the GEM Listing Rules) of the Company.

Classy Gear subsequently from 18 October 2018 to 19 October 2018 disposed of all of its remaining interests in the Company after which it ceased to be a substantial shareholder of the Company.

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

During the six months ended 31 October 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 six months ended 31 October 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 deviations from code provisions A.2.1 and A.6.7 of the CG Code 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 the 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 a 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 the CG Code.

Code provision A.6.7 of the CG Code stipulates that board members should give the board and any committees on which they serve the benefit of their skills and expertise through regular attendance and active participation and they should attend general meetings and develop a balanced understanding of the views of shareholders.

All Directors have given the Board and the committees on which they serve the benefit of their skills and expertise. Due to other unavoidable engagements, Ms. Liu Tanying, Ms. Tsui Tsz Fa Mabel (both executive Directors) and Mr. Yim Kin Ping (an independent non-executive Director) were unable to attend the annual general meeting of the Company held on 11 October 2018.

OTHER INFORMATION

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 six months ended 31 October 2018 and up to the date of this report.

DIVIDENDS

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

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.

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 October 2018.

AUDIT COMMITTEE

The Audit Committee was established on 26 September 2016 with written terms of reference in compliance with the GEM Listing Rules which are available on the websites of the Stock Exchange and the Company. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. 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 has reviewed the unaudited interim financial statements of the Group for the six months ended 31 October 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 have been made.

By order of the Board

Tai Kam Holdings Limited

Lau King Shun

Chairman and executive Director

Hong Kong, 7 December 2018

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

FOR THE THREE MONTHS AND SIX MONTHS ENDED 31 OCTOBER 2018

	Notes	For the three months ended 31 October		For the six months ended 31 October	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	4	33,768	32,920	69,486	66,549
Direct costs		(30,819)	(29,602)	(64,074)	(58,852)
Gross profit		2,949	3,318	5,412	7,697
Other income	5	1	196	2	196
Administrative expense		(2,957)	(1,791)	(4,058)	(2,998)
Finance cost	7	(65)	–	(83)	–
(Loss)/profit before income tax	6	(72)	1,723	1,273	4,895
Income tax expense	8	(291)	(364)	(456)	(1,002)
(Loss)/profit and total comprehensive (expenses)/income for the period attributable to equity holders of the Company		(363)	1,359	817	3,893
		HK cents	HK cents	HK cents	HK cents
(Loss)/earnings per share attributable to equity holders of the Company					
– Basic and diluted	10	(0.05)	0.17	0.10	0.49

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 31 OCTOBER 2018

	Notes	As at 31 October 2018 HK\$'000 (Unaudited)	As at 30 April 2018 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment	11	<u>6,107</u>	<u>6,695</u>
Current assets			
Trade and other receivables	12	12,689	22,879
Contract assets	13	14,144	–
Amounts due from customers for contract work	13	–	2,505
Cash and bank balances	14	<u>109,739</u>	<u>94,165</u>
		<u>136,572</u>	<u>119,549</u>
Current liabilities			
Trade and other payables	15	34,983	17,643
Contract liabilities	13	5,512	–
Amounts due to customers for contract work	13	–	5,757
Tax payable		<u>248</u>	<u>1,725</u>
		<u>40,743</u>	<u>25,125</u>
Net current assets		<u>95,829</u>	<u>94,424</u>
Total assets less current liabilities		<u>101,936</u>	<u>101,119</u>
Non-current liability			
Deferred tax liabilities		<u>702</u>	<u>702</u>
Net assets		<u>101,234</u>	<u>100,417</u>
EQUITY			
Share capital	16	8,000	8,000
Reserves		<u>93,234</u>	<u>92,417</u>
Total equity attributable to equity holders of the Company		<u>101,234</u>	<u>100,417</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED 31 OCTOBER 2018

	Share capital HK\$'000	Share premium* HK\$'000	Capital reserve* HK\$'000	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	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,893</u>	<u>3,893</u>
Balance as at 31 October 2017 (unaudited)	<u>8,000</u>	<u>54,718</u>	<u>10,101</u>	<u>20,529</u>	<u>93,348</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	<u>—</u>	<u>—</u>	<u>—</u>	<u>817</u>	<u>817</u>
Balance as at 31 October 2018 (unaudited)	<u>8,000</u>	<u>54,718</u>	<u>10,101</u>	<u>28,415</u>	<u>101,234</u>

* These reserves comprise the Group's reserves of approximately HK\$93,234,000 (2017: approximately HK\$85,348,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED 31 OCTOBER 2018

		For the six months ended 31 October	
	Notes	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Net cash generated from operating activities		2,920	272
Net cash used in investing activities		(346)	(454)
Net cash generated from financing activities		13,000	–
Net increase/(decrease) in cash and cash equivalents		15,574	(182)
Cash and cash equivalents at beginning of the period		94,165	80,695
Cash and cash equivalents at the end of the period	14	109,739	80,513

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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, 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, its subsidiaries (collectively referred as the “Group”) are principally engaged in construction for undertaking slope works and renovation works in Hong Kong and investment holding.

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 31 October 2018 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” 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 Group’s annual consolidated financial statement 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 are consistent with those used in the Group’s audited consolidated financial statement 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. Except for those disclosed in note 3, the effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group’s results of operations or financial position.

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

The preparation of the unaudited condensed consolidated financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise their judgments in the process of applying the Group’s accounting policies.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES

(a) New and amended HKFRSs adopted as at 1 May 2018

In the current period, the Group has applied for the first time the new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's condensed consolidated financial statements for the annual period beginning on 1 May 2018.

Other than as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

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.

HKFRS 15 has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits at 1 May 2018. In accordance with the transition guidance, HKFRS 15 has only been applied to contracts that are incomplete as at 1 May 2018.

In summary, the following reclassification was made to the amounts recognised in the condensed consolidated statement of financial position at the date of initial application (1 May 2018):

	Carrying amount as at 30 April 2018 under HKAS 18	Reclassification HK\$'000	Carrying amount as at 1 May 2018 under HKFRS 15 HK\$'000
Current assets			
Amounts due from customers for contract work	2,505	(2,505)	–
Trade and other receivables	22,879	(8,104)	14,775
Contract assets	–	10,609	10,609
Current liabilities			
Amounts due to customers for contract work	5,757	(5,757)	–
Contract liabilities	–	5,757	5,757

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) New and amended HKFRSs adopted as at 1 May 2018 (Continued)

HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Contract liabilities are obligations to transfer goods or services to a customer for which the Group has received consideration, or for which an amount of consideration is due from the customer.

Contract assets are rights to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditional on something other than the passage of time.

The adoption of HKFRS 15 has no material impact on the Group's condensed consolidated statement of profit or loss and other comprehensive income and the condensed consolidated statement of cash flows.

HKFRS 9 "Financial instruments"

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for the impairment of financial assets.

The adoption of HKFRS 9 has impacted for trade receivables, retention receivables and contract assets, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 May 2018 based on the facts and circumstances that existed at that date. The application of HKFRS 9 has had no material impact on the classification and measurement of financial assets on the condensed consolidated financial statements.

(b) Issued but not yet effective HKFRSs

The Group has not applied any new and amended HKFRSs that have been published by the HKICPA but are not yet effective for the current accounting period. The Group has commenced an assessment of the impact of these new standards and amendments, but is not yet in a position to state whether they would have a significant impact on its results and financial position.

Information on 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 condensed consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Issued but not yet effective HKFRSs (Continued)

HKFRS 16 “Leases”

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases”, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and present them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

As set out in note 17, total operating lease commitment of the Group as at 31 October 2018 amounted to approximately HK\$1,448,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group’s results and financial position but it is expected that certain portion of these commitments will be required to recognise in the condensed consolidated statement of financial position as right-of-use assets and lease liabilities; except for the short-term leases of less than twelve months and leases of low-value assets that are exempted from applying this accounting model as a practical expedient. As at 31 October 2018, the operating lease commitments amounted to approximately HK\$1,432,000 (represents exclusion of short-term leases of less than twelve months) would be required to recognised in the condensed consolidated financial statements as right-of-use assets and lease liabilities if HKFRS 16 would have been applied.

(c) Significant accounting policies

The condensed consolidated financial information has been prepared in accordance with the accounting policies adopted in the Group’s consolidated financial statement for the year ended 30 April 2018, except for the effects of applying HKFRS 15 and HKFRS 9.

(i) ***Revenue Recognition***

Revenue arises mainly from the provision of performing construction contract in Hong Kong.

To determine whether to recognise revenue, the Group follows a 5-step process:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (Continued)

(i) Revenue Recognition (Continued)

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers.

Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

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

If the control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

(a) Revenue from construction contracts

Revenue from construction contracts is recognised over time during the course of construction by reference to the progress towards complete satisfaction at the end of the reporting period. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group’s performance in transferring control of goods or services. The Group recognises revenue over time only if it can reasonably measure its progress toward complete satisfaction of the performance obligation.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (Continued)

(i) Revenue Recognition (Continued)

(a) Revenue from construction contracts (Continued)

However, if the Group cannot reasonably measure the outcome but expects to recover the costs incurred in satisfying the performance obligation, then it recognises revenue to the extent of the cost incurred. Incremental cost of obtaining a contract is capitalised if the Group expects to recover those costs, unless the amortisation period for such costs would be one year or less. Costs that will be incurred regardless of whether the contract is obtained are expensed as they are incurred.

The Group presents a contract liability or a contract asset in its condensed consolidated statements of financial position when either party to the contract has performed. The Group performs by transferring goods or services to the customer, and the customer performs by paying consideration to the Group. Any unconditional rights to consideration are presented separately as "Trade receivables".

Contract liabilities are obligations to transfer goods or services to a customer for which the Group has received consideration, or for which an amount of consideration is due from the customer.

Contract assets are rights to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditional on something other than the passage of time.

(b) Interest income

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

(ii) Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables and retention receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (Continued)

(ii) Financial instruments (Continued)

Classification and initial measurement of financial assets (Continued)

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss ("FVTPL")
- fair value through other comprehensive income ("FVOCI")

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or other income, except for impairment of trade receivables and retention receivables which is presented within administrative expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and other receivables, amount due from a related company, cash and bank balances fall into this category of financial instruments.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (Continued)

(ii) Financial instruments (Continued)

Impairment of financial assets

HKFRS 9's new impairment requirements use more forward-looking information to recognise expected credit losses – the “expected credit loss” (“ECL”) model. This replaces HKAS 39's “incurred loss model”. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost, trade and other receivables and contract assets.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (“Stage 1”); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (“Stage 2”).

“Stage 3” would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the Group's financial assets fall into this category.

“12-month expected credit losses” are recognised for the first category while “lifetime expected credit losses” are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Contract assets are related to unbilled work in progress which have substantially the same risk characteristics as the trade receivables for the same type of contract.

The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. Since the contract assets are still in performing and the payment is not due. The contract assets is assessed to be low risk of default.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Group considered counter parties having a low risk of default and a strong capacity of to meet contractual cash flow as performing.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (Continued)

(ii) Financial instruments (Continued)

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under HKFRS 9 compared to HKAS 39, the Group's financial liabilities were not impacted by the adoption of HKFRS 9. However, for completeness, the accounting policy is disclosed below.

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

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges that are reported in profit or loss are included within finance costs.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents receipts from the provision of construction service in undertaking slope works and renovation works in Hong Kong.

	For the three months ended 31 October		For the six months ended 31 October	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Contract revenue	<u>33,768</u>	<u>32,920</u>	<u>69,486</u>	<u>66,549</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 construction in Hong Kong 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

An analysis of the Group's revenue and contribution to profit from operating activities from undertaking slope works and renovation works in Hong Kong in the ordinary course of business for the three months and six months ended 31 October 2018 and 2017 are as follows:

	For the three months ended 31 October		For the six months ended 31 October	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Slope works	32,142	32,920	67,860	66,549
Renovation works	1,626	–	1,626	–
	<u>33,768</u>	<u>32,920</u>	<u>69,486</u>	<u>66,549</u>

(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:

	For the three months ended 31 October		For the six months ended 31 October	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Customer A	14,322	32,690	34,888	64,062
Customer B	15,983	N/A ^(Note)	27,282	N/A ^(Note)

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. OTHER INCOME

	For the three months ended 31 October		For the six months ended 31 October	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Bank interest income	<u>1</u>	<u>196</u>	<u>2</u>	<u>196</u>

6. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is stated after charging:

	For the three months ended 31 October		For the six months ended 31 October	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
(a) Staff costs (including directors' remuneration)				
Salaries, wages and other benefits	5,210	5,903	13,368	10,119
Contributions to defined contribution retirement plans	<u>119</u>	<u>222</u>	<u>450</u>	<u>414</u>
	<u>5,329</u>	<u>6,125</u>	<u>13,818</u>	<u>10,533</u>
(b) Other items				
Depreciation	474	243	936	486
Operating lease charges in respect of:				
– Premises	599	111	846	228
– Machinery (included in direct costs)	4	4	5	4
Subcontracting charges (included in direct costs)	<u>24,342</u>	<u>22,025</u>	<u>46,042</u>	<u>44,435</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCE COST

	For the three months ended 31 October		For the six months ended 31 October	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest expenses on other borrowings	<u>65</u>	<u>–</u>	<u>83</u>	<u>–</u>

8. INCOME TAX EXPENSE

	For the three months ended 31 October		For the six months ended 31 October	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Current tax				
– Hong Kong Profits Tax	<u>291</u>	<u>364</u>	<u>456</u>	<u>1,002</u>

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 six months ended 31 October 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 corresponding period ended 31 October 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.

9. DIVIDEND

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. (LOSS)/EARNINGS PER SHARE

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

	For the three months ended 31 October		For the six months ended 31 October	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Earnings				
(Loss)/profit for the period attributable to equity holders of the Company	<u>(363)</u>	<u>1,359</u>	<u>817</u>	<u>3,893</u>
Number of shares				
Weighted average number of ordinary shares (in thousands)	<u>800,000</u>	<u>800,000</u>	<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 six months ended 31 October 2018 and 2017 represents 800,000,000 shares in issue throughout the period.

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

11. PLANT AND EQUIPMENT

During the six months ended 31 October 2018, the Group acquired plant and equipment valued at approximately HK\$348,000 (2017: approximately HK\$650,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE AND OTHER RECEIVABLES

	As at 31 October 2018 HK\$'000 (Unaudited)	As at 30 April 2018 HK\$'000 (Audited)
Trade receivables (note (a))	8,921	11,785
Retention receivables (note (b))	–	8,104
Other receivables and deposits	579	764
Prepayment	3,189	2,207
Amount due from a related company (note (c))	–	19
	<u>12,689</u>	<u>22,879</u>

Notes:

(a) Trade receivables

The Group usually grants credit period ranging from 21 to 60 days (30 April 2018: 21 to 60 days) to customers.

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

	As at 31 October 2018 HK\$'000 (Unaudited)	As at 30 April 2018 HK\$'000 (Audited)
0 – 30 days	6,515	8,693
31 – 60 days	1,491	2,902
61 – 90 days	–	190
Over 90 days	915	–
	<u>8,921</u>	<u>11,785</u>

Included in the Group's trade receivables are debtors with carrying amounts of approximately HK\$915,000 (30 April 2018: approximately HK\$3,092,000) as at 31 October 2018 which are past due but not impaired. As there had not been a significant change in credit quality, the amounts were still considered recoverable.

(b) Retention receivables

Upon the adoption of HKFRS 15, retention receivables are included in contract assets (see note 3(a)).

(c) Amount due from a related company

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. CONTRACT ASSETS/CONTRACT LIABILITIES

	As at 31 October 2018 HK\$'000 (Unaudited)	As at 30 April 2018 HK\$'000 (Audited)
Contract assets	14,144	–
Amounts due from customers for contract work	–	2,505
	14,144	2,505
Contract liabilities	(5,512)	–
Amounts due to customers for contract work	–	(5,757)
	(5,512)	(5,757)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional.

The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised based on the progress of the provision of related services.

As at 31 October 2018, included in contract assets are retention money held by customers for contract works amounted to approximately HK\$7,963,000. Retention money is interest-free and repayable approximately one year after the expiry of the defect liability period of construction projects.

The Group applies the simplified approach to provide the ECL prescribed by HKFRS 9. The directors considered that the lifetime ECL allowance was insignificant as at 31 October 2018.

14. CASH AND BANK BALANCES

	As at 31 October 2018 HK\$'000 (Unaudited)	As at 30 April 2018 HK\$'000 (Audited)
Cash at bank and in hand	109,739	94,165

Cash at bank earns interest at floating rates based on daily bank deposit rates.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. TRADE AND OTHER PAYABLES

	As at 31 October 2018 HK\$'000 (Unaudited)	As at 30 April 2018 HK\$'000 (Audited)
Trade payables (note (a))	14,611	9,467
Retention payables (note (b))	4,697	4,793
Accruals and other payables	2,610	3,383
Amount due to a related company (note (c))	13,065	–
	34,983	17,643

Notes:

(a) Trade payables

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

	As at 31 October 2018 HK\$'000 (Unaudited)	As at 30 April 2018 HK\$'000 (Audited)
0 – 30 days	14,597	8,493
31 – 60 days	14	662
61 – 90 days	–	312
	14,611	9,467

The Group is granted by its suppliers a credit period ranging from 0 to 30 days (30 April 2018: 0 to 30 days).

(b) Retention payables

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

(c) Amount due to a related company

The amount due to Classy Gear Limited, beneficially owned by Mr. Lau King Shun and Mr. Lau Kan Sui Sanny, is unsecured, interest bearing at 2% per annum on the principal and repayable on 5 January 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. SHARE CAPITAL

	Number of shares	HK\$
Authorised		
Ordinary shares of HK\$0.01 each at 30 April 2018 and 31 October 2018	<u>2,000,000,000</u>	<u>20,000,000</u>
Issued and fully paid:		
As at 30 April 2018 and 31 October 2018	<u>800,000,000</u>	<u>8,000,000</u>

17. OPERATING LEASE COMMITMENTS

At 31 October 2018 and 30 April 2018, the total future minimum lease payments payable by the Group under non-cancellable operating leases in respect of premises are as follows:

	As at 31 October 2018 HK\$'000 (Unaudited)	As at 30 April 2018 HK\$'000 (Audited)
Within one year	770	885
In the second to fifth years	678	1,055
	<u>1,448</u>	<u>1,940</u>

The leases typically runs for an initial period of one to three years (30 April 2018: one to three years). The lease does not include contingent rentals.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. RELATED PARTY TRANSACTION

(a) Key management personnel remuneration

The emoluments of the directors and senior management of the Company, who represent the key management personnel during the six months ended 31 October 2018 and 2017 as follows:

	For the six months ended 31 October	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Salaries, fee and allowances	1,598	1,843
Discretionary bonuses	130	80
Retirement scheme contributions	33	51
	<u>1,761</u>	<u>1,974</u>

(b) Balance with related party

The detail of the balances with a related company is disclosed in Note 12(c) and 15(c) to the condensed consolidated financial statements. The maximum outstanding balance of amount due from a related company during the period ended 31 October 2018 is approximately HK\$19,000 (2017: maximum outstanding balance of amount due from an ultimate holding company of approximately HK\$19,000).

(c) Material related party transactions

Name of related parties	Nature	For the six months ended 31 October	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Mr. Lau Kan Sui Sanny and Mr. Lau Mei Chai	Rental expenses	48	–
Classy Gear Limited	Finance cost	83	–

19. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at 31 October 2018 (30 April 2018: nil).