



泰錦 **Tai Kam Holdings Limited**
泰錦控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8321

2019 **INTERIM REPORT**

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

CONTENTS

Pages

2	CORPORATE INFORMATION
3	FINANCIAL HIGHLIGHTS
4	MANAGEMENT DISCUSSION AND ANALYSIS
11	OTHER INFORMATION
14	CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
15	CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
16	CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
17	CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
18	NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Tsui Tsz Fa Mabel
(Chairman and chief executive officer)
Ms. Liu Tanying

Independent non-executive Directors

Mr. Yim Kin Ping
Ms. Li Yixuan
Mr. Lau Wang Lap

COMPLIANCE OFFICER

Ms. Tsui Tsz Fa Mabel

AUTHORISED REPRESENTATIVES

Mr. Hui Chi Kong
Ms. Tsui Tsz Fa Mabel

AUDIT COMMITTEE

Mr. Lau Wang Lap (Chairman)
Ms. Li Yixuan
Mr. Yim Kin Ping

NOMINATION COMMITTEE

Ms. Tsui Tsz Fa Mabel (Chairman)
Ms. Li Yixuan
Mr. Lau Wang Lap

REMUNERATION COMMITTEE

Mr. Yim Kin Ping (Chairman)
Ms. Tsui Tsz Fa Mabel
Mr. Lau Wang Lap

COMPANY SECRETARY

Mr. Hui Chi Kong

AUDITOR

Elite Partners CPA Limited

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\$124.9 million for the six months ended 31 October 2019 (the “Reporting Period”) (2018: approximately HK\$69.5 million), representing an increase of approximately 79.7% as compared with the corresponding period of 2018.

Profit attributable to the equity holders of the Company for the six months ended 31 October 2019 amounted to approximately HK\$0.1 million (2018: profit attributable to the equity holders of approximately HK\$0.8 million).

Basic and diluted earnings per share amounted to approximately HK0.01 cents for the six months ended 31 October 2019 (2018: basic and diluted earnings per share of approximately HK0.10 cents).

The board of Directors (the “Board”) does not recommend a payment of an interim dividend for the six months ended 31 October 2019 (2018: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Company, together with its subsidiaries (the “Group”) is principally engaged in construction business mainly site formation works and renovation works in Hong Kong. Site formation works generally include 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 premises 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. However, 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, also the current social demonstration may affect the progress of on-going construction projects 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 years.

In order to further expand the business and generate promising returns to the shareholder of the Company, the Directors are taking active approach to develop business in other Asia-Pacific regions’ markets, including but not limited to Japan, Thailand and Singapore. The Directors are also endeavouring to diversify the Company business scope that can leverage with our existing experiences and business, like design and build for property development, invest in potential property to benefit from capital appreciation and generate stable rental income, or any other business.

Meanwhile, the Group will still focus on site formation works in the Hong Kong construction industry and renovation works in Hong Kong. The Group will continue to strengthen the competitive edge of the Group over competitors in the construction industry and expanding the business in order to increase shareholders’ return.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue represents receipts from the provision of construction service in site formation works and renovation works in Hong Kong. Site formation 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\$55.4 million or approximately 79.7% from approximately HK\$69.5 million for the six months ended 31 October 2018 to approximately HK\$124.9 million for the six months ended 31 October 2019. The increase in revenue was mainly due to increase in works performed from renovation work in Hong Kong for the six months ended 31 October 2019.

The revenue during the Reporting Period derived from undertaking slope works was 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 increased by approximately HK\$1.6 million or approximately 29.6% from approximately HK\$5.4 million for the six months ended 31 October 2018 to approximately HK\$7.0 million for the six months ended 31 October 2019 and the Group's gross profit margin decreased from approximately 7.8% for the six months ended 31 October 2018 to approximately 5.6% for the six months ended 31 October 2019. The decrease in gross profit margin was mainly due to more contracts with lower gross profit margin through the substantial use of subcontractors and labourers. The slight increase in gross profit is mainly due to the increase in revenue for the six months ended 31 October 2019, partly offset by the decrease of gross profit margin.

The Group's direct costs increased by approximately HK\$53.8 million or approximately 83.9% from approximately HK\$64.1 million for the six months ended 31 October 2018 to approximately HK\$117.9 million for the six months ended 31 October 2019. The increase of direct costs is mainly due to the increase in subcontracting charges and labour cost from those projects with substantial use of subcontractors and labours for the six months ended 31 October 2019.

Administrative expenses

The Group's administrative expenses increased by approximately HK\$2.6 million or approximately 63.4% from approximately HK\$4.1 million for the six months ended 31 October 2018 to approximately HK\$6.7 million for the six months ended 31 October 2019. 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 2019 and the recognition of share-based payment of approximately HK\$1.3 million arising from the share option issued during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance cost

Finance cost for the Group amounted to approximately HK\$131,000 for the six months ended 31 October 2019 (2018: HK\$83,000). Finance cost represented the interest expense charged on an advance from a related company which was incurred during the six months ended 31 October 2019.

Net Profit

Net profit amounted to approximately HK\$0.1 million for the six months ended 31 October 2019 as compared with net profit of approximately HK\$0.8 million for six months ended 31 October 2018. Such decrease in net profit was primarily attributable to the increase in administrative expenses for the six months ended 31 October 2019 while partially offset by the increase of gross profit as discussed above.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 October 2019, the cash and bank balances of the Group amounted to approximately HK\$34.9 million (as at 30 April 2019: approximately HK\$58.5 million), representing a decrease of approximately HK\$23.6 million as compared to that as at 30 April 2019.

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

PLEDGE OF ASSETS

There was no pledge of assets as at 31 October 2019 (as at 30 April 2019: 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 11.5% as at 31 October 2019 and was 11.6% as at 30 April 2019. As at 31 October 2019, we had an other borrowing of approximately HK\$13.3 million (as at 30 April 2019: amount due to a related company of approximately HK\$13.2 million).

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2019 and for the six months ended 31 October 2018, 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 2019 (2018: nil).

CAPITAL COMMITMENTS

As at 31 October 2019, the Group did not have any capital commitments (30 April 2019: nil).

CONTINGENT LIABILITIES

There were no significant contingent liabilities of the Group as at 31 October 2019 (30 April 2019: 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 2019, 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 55 employees (including executive Directors) as at 31 October 2019 (as at 30 April 2019: 97 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.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 2019 is set out below:

	Business objectives up to 30 April 2019 as stated in the Prospectus	Actual business progress up to 31 October 2019
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 fully utilized the amount for acquiring necessary machinery, equipment and motor vehicles.
Additional staff costs for undertaking additional Government slope works contracts	Approximately HK\$34.66 million would be used from the Latest Practicable Date (as defined in the Prospectus) up to 30 April 2019 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 has fully utilized the amount for recruiting and retaining additional staff for CEDD project, Housing Authority project and Lands Department projects (including site agents, safety officers and labour officers) up to 31 October 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

	Business objectives up to 30 April 2019 as stated in the Prospectus	Actual business progress up to 31 October 2019
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 has fully utilised the amount for the related initial cost for undertaking additional Government slope works contracts (including those incurred for project related insurance costs and setting up site offices costs) which amounted to approximately HK\$3.6 million.
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 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 2019, the net proceeds from the Placing were applied as follows:

	Planned use of proceeds as stated in the Prospectus up to 31 October 2019 HK\$'million	Actual use of proceeds up to 31 October 2019 HK\$'million
Addition of machinery, equipment and motor vehicles	3.30	3.30
Additional staff costs	34.66	34.66
Other related initial costs	3.60	3.60
Working capital	8.00	8.00

As at the date of this report, the Company has fully utilized the proceeds as intended.

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 2019, the 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 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, are as follows:

Long position in the shares and underlying shares of the Company

Name of Director	Number of issued ordinary shares/ underlying shares of the Company	Total	Percentage of the issue shares capital of the Company
	Personal interests		
Ms. Tsui Tsz Fa Mabel			
– Unlisted share options	8,000,000	8,000,000	1%
Ms. Liu Tanying			
– Unlisted share options	8,000,000	8,000,000	1%

Save as disclosed above, none of the Directors nor chief executive of the Company has registered an interest 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

As at 31 October 2019, 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.

OTHER INFORMATION

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 2019.

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

During the six months ended 31 October 2019 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 2019 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 explained below. Ever since the Company appointed Ms. Tsui Tsz Fa Mabel 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.

The Board believes that the vesting of the roles of chairman and chief executive officer in Ms. Tsui 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 more than 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 six months ended 31 October 2019 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 2019 (2018: 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.

OTHER INFORMATION

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.

Details of the options outstanding for the six months ended 31 October 2019 are as follows:

Grantees	Date of grant	No. of shares comprised in options				As at 31 October 2019	Exercise price per share
		As at 1 May 2019	Granted during the period	Exercised during the period	Lapsed during the period		
Executive director							
Ms. Tsui Tsz Fa Mabel	30 May 2019	–	8,000,000	–	–	8,000,000	HK\$0.066
Ms. Liu Tanying	30 May 2019	–	8,000,000	–	–	8,000,000	HK\$0.066
Other Grantees	30 May 2019	–	16,000,000	–	–	16,000,000	HK\$0.066
	Total	–	32,000,000	–	–	32,000,000	

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. Lau Wang Lap, Ms. Li Yixuan and Mr. Yim Kin Ping. The chairman of the Audit Committee is Mr. Lau Wang Lap, 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 2019 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

Tsui Tsz Fa Mabel

Chairman and executive Director

Hong Kong, 13 December 2019

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

FOR THE THREE MONTHS AND SIX MONTHS ENDED 31 OCTOBER 2019

	Notes	For the three months ended 31 October		For the six months ended 31 October	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	3	80,081	33,768	124,932	69,486
Direct costs		(76,036)	(30,819)	(117,906)	(64,074)
Gross profit		4,045	2,949	7,026	5,412
Other income	4	–	1	–	2
Administrative expense		(4,429)	(2,957)	(6,703)	(4,058)
Finance cost	6	(65)	(65)	(131)	(83)
(Loss)/profit before income tax	5	(449)	(72)	192	1,273
Income tax expense	7	(2)	(291)	(85)	(456)
(Loss)/profit and total comprehensive (expenses)/income for the period attributable to equity holders of the Company		(451)	(363)	107	817
		HK cents	HK cents	HK cents	HK cents
(Loss)/earnings per share attributable to equity holders of the Company					
– Basic and diluted	9	(0.06)	(0.05)	0.01	0.10

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 31 OCTOBER 2019

	Notes	As at 31 October 2019 HK\$'000 (Unaudited)	As at 30 April 2019 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment	10	<u>4,186</u>	<u>5,190</u>
Current assets			
Trade and other receivables	11	107,189	77,083
Contract assets	12	15,492	22,967
Cash and bank balances	13	<u>34,884</u>	<u>58,549</u>
		<u>157,565</u>	<u>158,599</u>
Current liabilities			
Trade and other payables	14	(42,208)	(45,782)
Tax payable		<u>(3,727)</u>	<u>(3,641)</u>
		<u>46,935</u>	<u>(49,423)</u>
Net current assets		<u>110,630</u>	<u>109,176</u>
Total assets less current liabilities		<u>115,816</u>	<u>114,366</u>
Non-current liability			
Deferred tax liabilities		<u>(524)</u>	<u>(524)</u>
Net assets		<u>115,292</u>	<u>113,842</u>
EQUITY			
Share capital	15	8,000	8,000
Reserves		<u>107,292</u>	<u>105,842</u>
Total equity attributable to equity holders of the Company		<u>115,292</u>	<u>113,842</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED 31 OCTOBER 2019

	Share capital HK\$'000	Share premium* HK\$'000	Share option reserve* HK\$'000	Capital reserve* HK\$'000	Retained earnings* HK\$'000	Total HK\$'000
Balance as at 1 May 2018	8,000	54,718	–	10,101	27,598	100,417
Profit and total comprehensive income for the period	–	–	–	–	817	817
Balance as at 31 October 2018 (unaudited)	<u>8,000</u>	<u>54,718</u>	<u>–</u>	<u>10,101</u>	<u>28,415</u>	<u>101,234</u>
Balance as at 1 May 2019	8,000	54,718	–	10,101	41,023	113,842
Share options issued during the period	–	–	1,343	–	–	1,343
Profit and total comprehensive income for the period	–	–	–	–	107	107
Balance as at 31 October 2019 (unaudited)	<u>8,000</u>	<u>54,718</u>	<u>1,343</u>	<u>10,101</u>	<u>41,130</u>	<u>115,292</u>

* These reserves comprise the Group's reserves of approximately HK\$107,292,000 (2018: approximately HK\$93,284,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED 31 OCTOBER 2019

	For the six months ended 31 October	
Notes	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	(23,665)	2,920
Net cash used in investing activities	–	(346)
Net cash generated from financing activities	–	13,000
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	(23,665)	15,574
Cash and cash equivalents at beginning of the period	58,549	94,165
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	34,884	109,739
	<hr/> <hr/>	<hr/> <hr/>

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, the Company and 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 2019 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 2019.

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 2019, 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 2019. 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. REVENUE AND SEGMENT INFORMATION

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

	For the three months ended 31 October		For the six months ended 31 October	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Contract revenue	<u>80,081</u>	<u>33,768</u>	<u>124,932</u>	<u>69,486</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.

(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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Customer A	5,064	14,322	12,932	34,888
Customer B	18,655	15,983	38,016	27,282
Customer C	<u>49,427</u>	<u>–</u>	<u>58,453</u>	<u>–</u>

Note: The corresponding revenue did not individually contribute over 10% of the Group's revenue for the corresponding period ended 31 October 2018.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. OTHER INCOME

	For the three months ended 31 October		For the six months ended 31 October	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Bank interest income	–	1	–	2

5. (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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
(a) Staff costs (including directors' remuneration)				
Salaries, wages and other benefits	5,145	5,210	10,740	13,368
Contributions to defined contribution retirement plans	93	119	284	450
	<u>5,238</u>	<u>5,329</u>	<u>11,024</u>	<u>13,818</u>
(b) Other items				
Depreciation	406	474	838	936
Operating lease charges in respect of:				
– Premises	247	599	494	846
– Machinery (included in direct costs)	–	4	–	5
Subcontracting charges (included in direct costs)	<u>71,446</u>	<u>24,342</u>	<u>107,562</u>	<u>46,042</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCE COST

	For the three months ended 31 October		For the six months ended 31 October	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest expenses on other borrowings	<u>65</u>	<u>65</u>	<u>131</u>	<u>83</u>

7. INCOME TAX EXPENSE

	For the three months ended 31 October		For the six months ended 31 October	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current tax				
– Hong Kong Profits Tax	<u>2</u>	<u>291</u>	<u>85</u>	<u>456</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%.

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 does not recommend a payment of an interim dividend for the six months ended 31 October 2019 (2018: nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. (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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Earnings				
(Loss)/profit for the period attributable to equity holders of the Company	<u>(451)</u>	<u>(363)</u>	<u>107</u>	<u>817</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 2019 and 2018 represents 800,000,000 shares in issue throughout the period.

There were no dilutive potential ordinary shares during the six months ended 31 October 2019 and 2018 and therefore, diluted earnings per share equals to basic earnings per share.

10. PLANT AND EQUIPMENT

During the six months ended 31 October 2019, the Group did not acquire any plant and equipment (2018: approximately HK\$348,000).

11. TRADE AND OTHER RECEIVABLES

	As at 31 October 2019 HK\$'000 (Unaudited)	As at 30 April 2019 HK\$'000 (Audited)
Trade receivables (note (a))	75,776	13,996
Surety bond (note (b))	4,500	4,500
Prepayment (note (c))	26,913	58,587
	<u>107,189</u>	<u>77,083</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) Trade receivables

The Group usually grants credit period ranging from 21 to 60 days (30 April 2019: 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 2019 HK\$'000 (Unaudited)	As at 30 April 2019 HK\$'000 (Audited)
0 – 30 days	59,776	8,554
31 – 60 days	1,339	361
61 – 90 days	–	3,559
Over 90 days	14,661	1,522
	75,776	13,996

(b) Surety bond

A customer of construction contract undertaken by the Group require the group entity to issue guarantee for the performance of contract work in the form of surety bond. The surety bond is released when the construction contract is completed or substantially completed. At 31 October 2019, the Group had an outstanding surety bond of HK\$4,500,000 (30 April 2019: approximately HK\$4,500,000).

(c) Prepayments

During the six months ended 31 October 2019, an aggregate amount of approximately HK\$ 26,913,000 (30 April 2019: approximately HK\$55,909,000) paid to sub-contractors for a construction contract. As at 31 October 2019, the construction work was not commenced and the prepayments is expected to be recognised as expenses within one year.

12. CONTRACT ASSETS

	As at 31 October 2019 HK\$'000 (Unaudited)	As at 30 April 2019 HK\$'000 (Audited)
Contract assets		
Arising from performance under construction contracts	15,492	22,967

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.

As at 31 October 2019, included in contract assets are retention money held by customers for contract works amounted to approximately HK\$7,402,000. 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 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. CASH AND BANK BALANCES

	As at 31 October 2019 HK\$'000 (Unaudited)	As at 30 April 2019 HK\$'000 (Audited)
Cash at bank and in hand	<u>34,884</u>	<u>58,549</u>

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

14. TRADE AND OTHER PAYABLES

	As at 31 October 2019 HK\$'000 (Unaudited)	As at 30 April 2019 HK\$'000 (Audited)
Trade payables (note (a))	23,641	26,590
Retention payables (note (b))	4,352	3,403
Accruals and other payables	890	2,595
Other borrowing (note (c))	13,325	–
Amount due to a related company (note (d))	–	13,194
	<u>42,208</u>	<u>45,782</u>

Notes:

(a) Trade payables

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

	As at 31 October 2019 HK\$'000 (Unaudited)	As at 30 April 2019 HK\$'000 (Audited)
0 – 30 days	17,618	22,910
31 – 60 days	–	–
61 – 90 days	6,023	3,680
	<u>23,641</u>	<u>26,590</u>

The Group is granted by its suppliers a credit period ranging from 0 to 30 days (30 April 2019: 0 to 30 days).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. TRADE AND OTHER PAYABLES (CONTINUED)

Notes: (Continued)

(b) Retention payables

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

(c) Other borrowing

The amount due is unsecured, interest bearing at 2% per annum and repayable on demand.

(d) Amount due to a related company

The amount due is unsecured, interest bearing at 2% per annum and repayable on demand.

15. SHARE CAPITAL

	Number of shares	HK\$
Authorised		
Ordinary shares of HK\$0.01 each at 30 April 2019 and 31 October 2019	<u>2,000,000,000</u>	<u>20,000,000</u>
Issued and fully paid:		
As at 30 April 2019 and 31 October 2019	<u>800,000,000</u>	<u>8,000,000</u>

16. OPERATING LEASE COMMITMENTS

At 31 October 2019 and 30 April 2019, 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 2019 HK\$'000 (Unaudited)	As at 30 April 2019 HK\$'000 (Audited)
Within one year	637	726
In the second to fifth years	<u>219</u>	<u>312</u>
	<u>856</u>	<u>1,038</u>

The leases typically runs for an initial period of one to three years (30 April 2019: one to three years). The lease does not include contingent rentals.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. 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 2019 and 2018 as follows:

	For the six months ended 31 October	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Salaries, fee and allowances	418	1,598
Discretionary bonuses	–	130
Retirement scheme contributions	5	33
	<u>423</u>	<u>1,761</u>

(b) Balance with related party

The detail of the balances with a related company is disclosed in Note 14(d) to the condensed consolidated financial statements.

(c) Material related party transactions

Name of related parties	Nature	For the six months ended 31 October	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Mr. Lau Kan Sui Sunny and Mr. Lau Mei Chai (note (a))	Rental expenses	–	48
Classy Gear Limited (note (b))	Finance cost	–	83

Notes:

- (a) Mr. Lau Kan Sui Sunny and Mr. Lau Mei Chai were resigned as executive director of the Company with effect on 16 May 2018.
- (b) Classy Gear Limited is beneficially owned by Mr. Lau King Shun and Mr. Lau Kan Sui Sunny, which both were resigned as executive director with effect on 6 January 2019 and 16 May 2018 respectively.

18. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at 31 October 2019 (30 April 2019: nil).