



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 **THIRD QUARTERLY 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”) 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

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\$158.9 million for the nine months ended 31 January 2020 (the “Reporting Period”) (2019: approximately HK\$129.4 million), representing an increase of approximately 22.8% as compared with the corresponding period of 2019.

Loss attributable to the equity holders of the Company for the nine months ended 31 January 2020 amounted to approximately HK\$2.9 million (2019: Profit attributable to the equity holders of approximately HK\$2.6 million).

Basic and diluted loss per share amounted to approximately HK0.36 cents for the nine months ended 31 January 2020 (2019: basic and diluted earnings per share of approximately HK0.33 cents).

The board of Directors (the “Board”) does not recommend the payment of interim dividend for the nine months ended 31 January 2020 (2019: 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 and the outbreak of coronavirus 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.

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 premises in Hong Kong.

The Group's revenue increased by approximately HK\$29.5 million or approximately 22.8% from approximately HK\$129.4 million for the nine months ended 31 January 2019 to approximately HK\$158.9 million for the nine months ended 31 January 2020. The increase in revenue was mainly due to increase in work performed from renovation works for the nine months ended 31 January 2020.

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

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 resource allocation. Accordingly, no segment analysis information is presented.

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

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately HK\$2.2 million or approximately 21.5% from approximately HK\$10.1 million for the nine months ended 31 January 2019 to approximately HK\$7.9 million for the nine months ended 31 January 2020 and the Group's gross profit margin decreased from approximately 7.8% for the nine months ended 31 January 2019 to approximately 5.0% for the nine months ended 31 January 2020. The decrease in gross profit margin was mainly due to more revenue contribution from contracts with lower margin undertaking by increasing cost of use of subcontractors and labourers as affected by the current social demonstration and the outbreak of coronavirus, and thus offset the increase in the revenue for the nine months ended 31 January 2020.

The Group's direct costs increased by approximately HK\$31.7 million or approximately 26.6% from approximately HK\$119.3 million for the nine months ended 31 January 2019 to approximately HK\$151.0 million for the nine months ended 31 January 2020. The increase of direct costs is mainly due to the increase in subcontracting charges and labour cost as affected by the current social demonstration and the outbreak of coronavirus, for the nine months ended 31 January 2020.

Administrative Expenses

The Group's administrative expenses increased by approximately HK\$4.2 million or approximately 67.8% from approximately HK\$6.3 million for the nine months ended 31 January 2019 to approximately HK\$10.5 million for the nine months ended 31 January 2020. 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 nine months ended 31 January 2020 and the recognition of share-based payment of approximately HK\$1.3 million arising from the share options issued during the period.

Finance Cost

Finance cost for the Group amounted to approximately HK\$197,000 for the nine months ended 31 January 2020 (2019: approximately HK\$149,000). Finance cost represented the interest expense charged on an advance from a company which was incurred during the nine months ended 31 January 2020.

Net Profit/Loss

The net loss amounted to approximately HK\$2.9 million for the nine months ended 31 January 2020 as compared to a net profit of approximately HK\$2.6 million for nine months ended 31 January 2019. Such decrease in net profit was primarily attributable to the increase in administrative expenses for the nine months ended 31 January 2020 as discussed above and the decrease on the gross profit margin for the nine months ended 31 January 2020.

OTHER INFORMATION

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

As at 31 January 2020, 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	Personal interests	Total	Percentage of the issue shares capital of the Company
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 January 2020, 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 nine months ended 31 January 2020.

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

During the nine months ended 31 January 2020 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of conduct regarding securities transactions by the Directors (the "Code of Conduct") on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the nine months ended 31 January 2020 and up to the date of this report.

DIVIDENDS

The Board does not recommend a payment of an interim dividend for the nine months ended 31 January 2020 (2019: 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.

Details of the options outstanding for the nine months ended 31 January 2020 are as follows:

Grantees	Date of grant	No. of shares comprised in options				As at 31 January 2020	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 of the Company (the “Audit Committee”) was established on 26 September 2016 with written terms of reference in compliance with the GEM Listing Rules which are available on the websites of the Stock Exchange and the Company. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Law Wang Lap, Ms. Li Yixuan and Mr. Yim Kin Ping. The chairman of the Audit Committee is Mr. Law Wang Lap, who has appropriate professional qualifications and experience in accounting matters. The Audit Committee has reviewed the unaudited financial statements of the Group for the nine months ended 31 January 2020 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 March 2020

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 JANUARY 2020

	Notes	For the three months ended 31 January		For the nine months ended 31 January	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	34,002	59,944	158,934	129,430
Direct costs		(33,106)	(55,260)	(151,012)	(119,334)
Gross profit		896	4,684	7,922	10,096
Other income	4	–	12	–	14
Administrative expense		(3,804)	(2,202)	(10,507)	(6,260)
Finance cost	5	(66)	(66)	(197)	(149)
(Loss)/profit before income tax	6	(2,974)	2,428	(2,782)	3,701
Income tax expense	7	–	(598)	(85)	(1,054)
Profit and total comprehensive income/(expense) for the period attributable to equity holders of the Company		(2,974)	1,830	(2,867)	2,647
		HK cents	HK cents	HK cents	HK cents
(Loss)/earnings per share attributable to equity holders of the Company					
– Basic and diluted	9	(0.37)	0.23	(0.36)	0.33

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE NINE MONTHS ENDED 31 JANUARY 2020

	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	–	–	–	–	2,647	2,647
Balance as at 31 January 2019 (unaudited)	<u>8,000</u>	<u>54,718</u>	<u>–</u>	<u>10,101</u>	<u>30,245</u>	<u>103,064</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/(expenses) for the period	–	–	–	–	(2,867)	(2,867)
Balance as at 31 January 2020 (unaudited)	<u>8,000</u>	<u>54,718</u>	<u>1,343</u>	<u>10,101</u>	<u>38,156</u>	<u>112,318</u>

* These reserve comprise the Group's reserves of approximately HK\$104,318,000 (2019: approximately HK\$95,064,000) in the condensed consolidated statement of financial position.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The Company is an investment holding company, its subsidiaries (collectively referred as the "Group") are principally engaged in site formation works and renovation works in Hong Kong and investment holding.

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

2. BASIS OF PREPARATION AND REORGANISATION

The unaudited condensed consolidated financial statements for the nine months ended 31 January 2020 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

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

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

3. REVENUE AND SEGMENT INFORMATION

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

	For the three months ended 31 January		For the nine months ended 31 January	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Contract revenue	<u>34,002</u>	<u>59,944</u>	<u>158,934</u>	<u>129,430</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 decisions about resource allocation. Accordingly, no segment analysis information is presented.

(a) Geographical information

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

(b) Major customers

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

	For the three months ended 31 January		For the nine months ended 31 January	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Customer A	1,194	19,223	14,126	54,112
Customer B	20,637	29,077	58,652	56,359
Customer C	2,370	7,842	7,257	13,530
Customer D	–	–	58,453	–
Customer E	<u>9,801</u>	<u>–</u>	<u>20,447</u>	<u>–</u>

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

4. OTHER INCOME

	For the three months ended 31 January		For the nine months ended 31 January	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Bank interest income	-	2	-	4
Gain on disposal on plant and equipment	-	10	-	10
	<u>-</u>	<u>12</u>	<u>-</u>	<u>14</u>

5. FINANCE COST

	For the three months ended 31 January		For the nine months ended 31 January	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest expenses on other borrowings	<u>66</u>	<u>66</u>	<u>197</u>	<u>149</u>

6. PROFIT/(LOSS) BEFORE INCOME TAX

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

	For the three months ended 31 January		For the nine months ended 31 January	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
(a) Staff costs (including directors' remuneration)				
Salaries, wages and other benefits	3,869	10,094	14,609	23,462
Contributions to defined contribution retirement plans	101	378	385	828
	<u>3,970</u>	<u>10,472</u>	<u>14,994</u>	<u>24,290</u>
(b) Other items				
Depreciation	388	461	1,226	1,397
Operating lease charges in respect of:				
– Premises	262	134	756	980
– Machinery (included in direct costs)	–	5	–	10
Subcontracting charges (included in direct costs)	29,379	41,828	136,941	87,870

7. INCOME TAX EXPENSE

	For the three months ended 31 January		For the nine months ended 31 January	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax in Hong Kong				
– Profits Tax	<u>–</u>	<u>598</u>	<u>85</u>	<u>1,054</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 Directors do not recommend a payment of an interim dividend for the nine months ended 31 January 2020 (2019: nil).

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 January		For the nine months ended 31 January	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
(Loss)/earnings				
(Loss)/profit for the period attributable to equity holders of the Company	<u>(2,974)</u>	<u>1,830</u>	<u>(2,867)</u>	<u>2,647</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 loss/earnings per share for the nine months ended 31 January 2020 and 2019 represents 800,000,000 shares in issue throughout the period.

There were no dilutive potential ordinary shares during the nine months ended 31 January 2020 and 2019 and therefore, diluted loss/earnings per share equals to basic loss/earnings per share.