



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

2020

ANNUAL 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

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)
Mr. Yim Kin Ping
Ms. Li Yixuan

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

Ocorian 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

STOCK CODE

8321

COMPANY WEBSITE

www.taikamholdings.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Director(s)") of Tai Kam Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), I am pleased to present our annual results for the year ended 30 April 2020 (the "Reporting Period").

OVERVIEW

The Group's revenue increased by approximately HK\$23.9 million or approximately 14.1% from approximately HK\$169.1 million for the year ended 30 April 2019 to approximately HK\$193.0 million for the Reporting Period.

The net loss amounted to approximately HK\$3.9 million for the Reporting Period as compared to the net profit of approximately HK\$3.7 million for the year ended 30 April 2019.

The decrease in net profit was mainly due to increase in administrative expenses for the Reporting Period and the decrease on the gross profit margin for the Reporting Period.

FORWARD

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 social demonstration and the outbreak of coronavirus may affect the progress of non-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.

CHAIRMAN'S STATEMENT

APPRECIATION

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

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

Tsui Tsz Fa Mabel

Chairman and executive Director

Hong Kong, 31 July 2020

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 piling works, 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 services in site formation works and renovation works in Hong Kong. Site formation generally refer to piling works, 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 business for premises in Hong Kong.

The Group’s revenue increased by approximately HK\$23.9 million, or approximately 14.1%, from approximately HK\$169.1 million for the year ended 30 April 2019 to approximately HK\$193.0 million for the Reporting Period. The increase in revenue was mainly due to increase in works performed from renovation works for the Reporting Period.

Most of the revenue during the Reporting Period derived from site formation works were commissioned by the CEDD, Lands Department and Housing Authority.

MANAGEMENT DISCUSSION AND ANALYSIS

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\$4.6 million, or approximately 29.7%, from approximately HK\$15.5 million for the year ended 30 April 2019 to approximately HK\$10.9 million for the Reporting Period. The Group's gross profit margin decreased from approximately 9.2% for the year ended 30 April 2019 to approximately 5.6% for the Reporting Period. 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 social demonstration and the outbreak of coronavirus, and thus offset the increase in the revenue for the Reporting Period.

The Group's direct costs increased by approximately HK\$28.6 million, or approximately 18.6%, from approximately HK\$153.6 million for the year ended 30 April 2019 to approximately HK\$182.1 million for the Reporting Period. The increase of direct costs is mainly due to the increase in subcontracting charges and labour cost as affected by the social demonstration and the outbreak of coronavirus for the Reporting Period.

Administrative expenses

The Group's administrative expenses increased by approximately HK\$4.4 million, or approximately 44.4%, from approximately HK\$9.9 million for the year ended 30 April 2019 to approximately HK\$14.3 million for the Reporting Period. Administrative expenses consist primarily of staff costs, professional fees, depreciation, rental expenses, provision of impairment and other administrative expenses. The increase in the Group's administrative expenses was mainly due to the recognition of share-based payment of approximately HK\$0.8 million and the impairment loss on trade receivables and contract assets of approximately HK\$2.1 million for the Reporting Period.

Other income

The Group's other income increased from HK\$14,000 for the year ended 30 April 2019 to HK\$50,000 for the Reporting Period. It is mainly attributable to the increase of sundry income of HK\$50,000 for the Reporting Period.

Net Profit/Loss

The net loss amounted to approximately HK\$3.9 million for the Reporting Period as compared to the net profit of approximately HK\$3.7 million for year ended 30 April 2019. Such decrease in net profit was primarily attributable to the increase in administrative expenses for the Reporting Period as discussed above and the decrease on the gross profit margin for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Final Dividend

The Board did not recommend a payment of a final dividend for the Reporting Period (2019: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 April 2020, the Group's total equity attributable to owners of the Company amounted to approximately HK\$110.7 million (2019: approximately HK\$113.8 million).

As at 30 April 2020, the Group had cash and bank balances of approximately HK\$28.9 million (2019: approximately HK\$58.5 million). Cash and bank balances are denominated in Hong Kong Dollars. The decrease was mainly due to the cash used in operations.

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

PLEDGE OF ASSETS

There was no pledge of assets as at 30 April 2020 (2019: Nil).

CASH POSITION

As at 30 April 2020, the cash and bank balances of the Group amounted to approximately HK\$28.9 million (2019: approximately HK\$58.5 million), representing a decrease of approximately HK\$29.6 million as compared to that as at 30 April 2019.

GEARING RATIO

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

As at 30 April 2020 and as at 30 April 2019, the Group's gearing ratio was 12.7% and 11.6% respectively.

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 have been conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group are mainly denominated in Hong Kong Dollars. For the Reporting Period and for the year ended 30 April 2019, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates between the currencies.

The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the Reporting Period (2019: Nil).

CAPITAL COMMITMENTS

As at 30 April 2020, the Group had no material capital commitments (2019: Nil).

CONTINGENT LIABILITIES

There were no significant contingent liabilities of the Group as at 30 April 2020 (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 capital structure of the Group since then up to the end of the Reporting Period. The share capital of the Group only comprises of ordinary shares.

As at 30 April 2020, 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 42 employees (including executive Directors) as at 30 April 2020 (2019: 97 employees). Total staff costs (including Directors' emoluments) were approximately HK\$19.6 million for the Reporting Period as compared to approximately HK\$24.3 million for the year ended 30 April 2019. The remuneration policy and package of the Group's employees were annually reviewed and when necessary. The salaries increment, grant of share options and discretionary bonuses may be awarded to employees according to Group's performance as well as the assessment of individual performance.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Business objectives up to 30 April 2019 as stated in the Prospectus	Actual business progress up to 30 April 2020
Addition of machinery, equipment and motor vehicles for undertaking additional Government slope works contracts	Approximately HK\$3.30 million would be used from the Latest Practicable Date (as defined in the Prospectus) up to 30 April 2018 for the addition of necessary machinery, equipment and motor vehicles associated with our intended business strategy of undertaking additional Government slope works contracts as disclosed in the section headed "Business – Business strategy" in the Prospectus.	The Group has 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 utilised the amount for recruiting and retaining additional staff for CEDD project, HA project, LD projects and other projects (including but not limited to site agents, safety officers and labour officers) 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 (as defined in the Prospectus) up to 30 April 2018 for other related initial costs (including those in relation to setting up site offices and taking out necessary project related insurance policies) associated with our intended business strategy of undertaking additional Government slope works contracts as disclosed in the section headed "Business – Business strategy" in the Prospectus.	The Group 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business objectives up to 30 April 2019 as stated in the Prospectus

Amount earmarked for satisfying applicable working capital requirement for undertaking additional Government slope works contracts

Approximately HK\$8.00 million would be used from the Latest Practicable Date (as defined in the Prospectus) up to 30 April 2018 for satisfying the applicable working capital requirement in connection with the additional Government slope works contracts to be undertaken by us (specifically, the requirement of maintaining a minimum working capital of 10% of the combined annual value of uncompleted works on outstanding contracts, applicable to Tai Kam Construction at present as an approved specialist contractor included in the List of Approved Specialist Contractors for Public Works under the category of "Landslip Preventive/ Remedial Works to Slopes/Retaining Walls").

Actual business progress up to 30 April 2020

The Group has fully utilised the amount earmarked for satisfying the working capital requirement.

USE OF PROCEEDS

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

	Planned use of proceeds as stated in the Prospectus up to 30 April 2019	Actual use of proceeds up to 30 April 2020
	HK\$' million	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 utilised the proceeds as intended.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Tsui Tsz Fa Mabel (徐子花) (“Ms. Tsui”), aged 42, was appointed as an executive Director on 16 May 2018 and appointed as the chairman of the Board and chief executive officer on 6 January 2019. Ms. Tsui is primarily responsible for the overall business development and management as well as financial and strategic planning of our Group. She has extensive experience in the construction industry in Hong Kong. Prior to joining the Company, Ms. Tsui has served several senior positions in engineering companies in Hong Kong and has been responsible for overall planning and management of construction projects and also supervision of construction teams since 2000.

Ms. Liu Tanying (劉潭影) (“Ms. Liu”), aged 41, was appointed as an executive Director on 16 May 2018. She has over 14 years’ experience in the construction industry in the People’s Republic of China (the “PRC”). She graduated from South China University of Technology with a Bachelor’s degree in Architecture. Prior to joining the Company, Ms. Liu has served as deputy department architecture supervisor in a construction company incorporated in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yim Kin Ping (嚴建平) (“Mr. Yim”), aged 65, was appointed as an independent non-executive Director on 25 September 2016. Mr. Yim has more than 42 years of experience in the construction industry in Hong Kong. From June 1977 to June 1983, Mr. Yim worked at Mass Transit Railway Corporation Hong Kong (now known as MTR Corporation) at which his last position was engineer II (Civil). From June 1983 to March 1991, Mr. Yim served as geotechnical engineer in Engineering Development Department and Civil Engineering Services Department of the Government respectively. From March 1991 to July 2010, Mr. Yim worked at Civil Engineering Services Department, Civil Engineering Department and Architectural Services Department of the Government as senior geotechnical engineer. Mr. Yim has been a director of Smooth Idea (Hong Kong) Limited, a Hong Kong company, since July 2011. Starting from February 2012, Mr. Yim has also been employed by Greg Wong & Associates Ltd with a job title of technical director. Since October 2015, Mr. Yim has also been a part-time lecturer for the final year degree programme of BEng (Hons) in civil engineering in the Technical and Higher Education Institute of Hong Kong (THEi).

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

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

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

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lau Wang Lap (劉宏立) (“Mr. Lau”), aged 41, was appointed as an independent non-executive Director on 2 May 2019. Mr. Lau graduated from the City University of Hong Kong with a Degree of Bachelor of Business Administration in Accountancy in November 2003. Mr. Lau became a member of the Hong Kong Institute of Certified Public Accountants in May 2007. Mr. Lau obtained a Degree of Master of Business Administration from the University of Strathclyde through distance learning in November 2013. Mr. Lau has over 15 years of experience in accounting and finance. Since November 2011, he has been working with Bortland Bros. Consulting Limited as managing director, where he is mainly responsible for internal control review, tax planning and provision of consulting services. He is currently an independent non-executive director of Hon Corporation Limited (stock code: 8259).

Ms. Li Yixuan (李懿軒) formerly known as Li Yuan (李媛) (“Ms. Li”), aged 33, was appointed as an independent non-executive Director on 25 March 2019. Ms. Li has over nine years of experience in the engineering industry. Ms. Li graduated from Chengdu University of Technology in July 2009 with a Bachelor’s degree in Engineering Management. From November 2009 to July 2012, she worked as an assistant engineer at a construction and engineering company in Sichuan, China and has been working as project controller at another construction company in Sichuan, China since September 2012.

SENIOR MANAGEMENT

Mr. Hui Chi Kong (許志剛) (“Mr. Hui”), aged 38, is the company secretary of our Company. Mr. Hui joined our Group in January 2019. Mr. Hui obtained a degree of Bachelor of Business Administration in Accountancy from Hong Kong Polytechnic University in 2006 and is a member of the Hong Kong Institute of Certified Public Accountants. He has over 10 years’ experience in the auditing, finance and accounting field.

CORPORATE GOVERNANCE REPORT

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

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

CORPORATE GOVERNANCE CODE

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

Under the code provision A.2.1 of the CG Code, the role of chairman and chief executive should be separate and should not be performed by the same individual and the division of responsibilities between the chairman and chief executive should be clearly established. Ever since the Company appointed Ms. Tsui 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 Group and will provide strong and consistent leadership to the Group. In addition, due to the presence of three independent non-executive Directors (“INEDs”) which represent 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 the CG Code.

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

BOARD OF DIRECTORS

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

CORPORATE GOVERNANCE REPORT

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

Composition of the Board

As of the date of this report, the Board is comprised of five Directors, including two executive Directors, namely Ms. Tsui Tsz Fa Mabel and Ms. Liu Tanying, and three INEDs, namely Mr. Yim Kin Ping, Mr. Lau Wang Lap and Ms. Yixuan.

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

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

Ms. Tsui Tsz Fa Mabel is the chairman (the "Chairman") of the Board.

BOARD DIVERSITY POLICY

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

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

Implementation and Monitoring

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

CORPORATE GOVERNANCE REPORT

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of conduct (“Code of Conduct”) regarding securities transactions by the Directors on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct throughout the Reporting Period.

Board and General Meetings

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

During the Reporting Period, 10 board meetings were held. During the period between 1 May 2020 and the date of this report, 2 board meetings were held. The Company’s annual general meeting will be held on 23 October 2020.

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

Name of Directors	Attendance/Number of meetings between 1 May 2019 and the date of this report
Executive Directors	
Ms. Liu Tanying	12/12
Ms. Tsui Tsz Fa Mabel	12/12
INEDs	
Mr. Law Hung Pan (resigned effective from 2 May 2019)	1/1
Mr. Yim Kin Ping	12/12
Ms. Li Yixuan	12/12
Mr. Lau Wang Lap (appointed effective from 2 May 2019)	11/11

Appointment and Re-election of Directors

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

Each of the INEDs has entered into an appointment letter with the Company. The appointment letter of each of the INEDs is for a term of three years, which may be terminated by not less than three months’ notice in writing or one month’s notice in writing for Ms. Li Yixuan and Mr. Lau Wang Lap (two of the INEDs) served by either party on the other. The aforesaid appointment letters are subject to termination provisions therein and the retirement and re-election provisions in the Articles.

CORPORATE GOVERNANCE REPORT

Director's continuing professional development programme

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

To assist Directors' continuing professional development, the Company recommends Directors to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have studied relevant materials from time to time recommended by the Company and attended training/programmes including on the amendments to, or updates on the relevant laws, rules and regulations on directors' duties and responsibilities to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continual briefing and professional development to Directors will be arranged whenever necessary.

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

Board committees

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

Audit Committee

At any given point in time during the Reporting Period and up to the date of this report, the Audit Committee comprises three members, Mr. Law Hung Pan (Chairman) (resigned effective from 2 May 2019), Mr. Yim Kin Ping, Ms. Li Yixuan and Mr. Lau Wang Lap (Chairman) (appointed effective from 2 May 2019), all of whom are INEDs.

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

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Audit Committee held six meetings. Between 1 May 2020 and the date of this report, the Audit Committee held one meeting. The attendance records of the members of the Audit Committee are summarised below:

Name of Directors	Attendance/number of meetings between 1 May 2019 and the date of this report
Mr. Law Hung Pan (Chairman) (resigned effective from 2 May 2019)	–/–
Mr. Yim Kin Ping	7/7
Ms. Li Yixuan	7/7
Mr. Lau Wang Lap (Chairman) (appointed effective from 2 May 2019)	7/7

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

1. met with the external auditor to discuss the nature and scope of the audit and reporting obligation before the audit commenced and review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
2. reviewed and approved audit fee;
3. recommended the re-appointment of Elite Partners CPA Limited as auditor, subject to the shareholders' approval at the annual general meeting;
4. reviewed the non-competition undertaking by the controlling shareholders of the Company;
5. reviewed the effectiveness of the Company's risk management and internal control systems;
6. reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget; and
7. reviewed the Group's first quarterly results for three months ended 31 July 2019, interim results for six months ended 31 October 2019, third quarterly results for the nine months ended 31 January 2020 and annual results for the year ended 30 April 2020.

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

Remuneration Committee

At any given point in time during the Reporting Period and up to the date of this report, the Remuneration Committee comprises three members, namely Mr. Yim Kin Ping (Chairman), Mr. Law Hung Pan (resigned effective from 2 May 2019), Mr. Lau Wang Lap (appointed effective from 2 May 2019) and Ms. Tsui Tsz Fa Mabel. Mr. Yim Kin Ping, Mr. Law Hung Pan and Mr. Lau Wang Lap are or were INEDs while Ms. Tsui Tsz Fa Mabel is executive Directors.

CORPORATE GOVERNANCE REPORT

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

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

During the Reporting Period, the Remuneration Committee held three meetings.

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

Name of Directors	Attendance/number of meetings between 1 May 2019 and the date of this report
Mr. Yim Kin Ping (Chairman)	3/3
Mr. Law Hung Pan (resigned effective from 2 May 2019)	1/1
Ms. Tsui Tsz Fa Mabel	3/3
Mr. Lau Wang Lap (appointed effective from 2 May 2019)	2/2

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

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

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

Remuneration of the senior management

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

CORPORATE GOVERNANCE REPORT

Remuneration policy

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

Nomination Committee

At any given point in time during the Reporting Period and up to the date of this report, the Nomination Committee comprises three members, namely Ms. Li Yixuan, Mr. Lau Wang Lap (appointed effective from 2 May 2019), Ms. Tsui Tsz Fa Mabel (Chairman) and Mr. Law Hung Pan (resigned effective from 2 May 2019). Mr. Law Hung Pan, Ms. Li Yixuan and Mr. Lau Wang Lap are or were INEDs while Ms. Tsui Tsz Fa Mabel is executive Directors.

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

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

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

The members of the Nomination Committee should meet at least once a year. During the Reporting Period, the Nomination Committee held two meetings.

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

Name of Directors	Attendance/number of meetings between 1 May 2019 and the date of this report
Mr. Law Hung Pan (resigned effective from 2 May 2019)	1/1
Ms. Li Yixuan	2/2
Mr. Lau Wang Lap (appointed effective from 2 May 2019)	1/1
Ms. Tsui Tsz Fa Mabel (Chairman)	2/2

CORPORATE GOVERNANCE REPORT

Corporate Governance Functions

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

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

Directors' and auditor's responsibilities for consolidated financial statements

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements and to ensure that the consolidated financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules. The Directors are of the view that the consolidated financial statements of the Group for the financial year ended 30 April 2020 have been prepared on this basis. As at 30 April 2020, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. The statements by external auditor, Elite Partners CPA Limited, about their reporting responsibility on the consolidated financial statements of the Group are set out in the independent auditor's report on pages 34 to 38 of this report.

Internal control and risk management

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

Auditor's remuneration

During the Reporting Period, the Group engaged Elite Partners CPA Limited ("Elite Partners") as the Group's external auditor. The remuneration paid and payable to Elite Partners is set out as follows:

Services rendered	Fees paid/payable (HK\$'000)
Statutory audit services	400
Total	<u>400</u>

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

CORPORATE GOVERNANCE REPORT

Company secretary

Mr. Hui Chi Kong is the company secretary of the Company. Please refer to the section “Directors and Senior Management” for his biographical information.

During the Reporting Period, Mr. Hui Chi Kong has undertaken not less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

Compliance officer

Ms. Tsui Tsz Fa Mabel, an executive Director and chief executive officer of the Company, was appointed as the compliance officer of the Group. Please refer to the section “Directors and Senior Management” for her biographical information.

General meetings with shareholders

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

The AGM of the Company will be held on 23 October 2020, the notice of which shall be sent to the shareholders of the Company at least 20 clear business days prior to the meeting.

Shareholders’ rights

Convening of Extraordinary General Meeting on requisition by shareholders

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

Procedures for shareholders to put forward proposals at shareholders' meetings

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

Procedures for directing shareholders' enquires to the Board

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

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

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

Investor Relations

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

CORPORATE GOVERNANCE REPORT

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

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

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

Email: info@taikamholdings.com

Significant Changes in Constitutional Documents

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

Dividend Policy

The Company has adopted a dividend policy (the “Dividend Policy”). According to the Dividend Policy, it is the policy of the Board, in considering the payment of dividends, to allow shareholders of the Company to participate in the Company’s profits whilst preserving the Company’s liquidity to capture future growth opportunities.

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall consider the following factors before declaring or recommending dividends:

- (a) the Company’s actual and expected financial performance;
- (b) retained earnings and distributable reserves of the Company and each of the members of the Group;
- (c) the Group’s working capital requirements, capital expenditure requirements and future expansion plans;
- (d) the Group’s liquidity position;
- (e) general economic conditions, business cycle of the Group’s business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- (f) other factors that the Board may consider relevant.

The payment of dividend by the Company is also subject to any restrictions under the Cayman Islands laws and the Company’s articles of association.

The Board will continually review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earning, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group.

DIRECTORS' REPORT

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

RESULTS/BUSINESS REVIEW

The results of the Group for the Reporting Period are set out in the section headed "Independent Auditor's Report" on page 34 to 38 in this annual report. A review of the business of the Group for the Reporting Period, which includes a description of the principal risks and uncertainties facing the Group, an analysis using financial key performance indicators of the Group's business, particulars of important events affecting the Group, an indication of likely future developments in the Group's business, and discussion on the Company's environmental policies and performance and the relationships with its stakeholders, can be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report", and "Independent Auditor's Report" of this annual report. The review forms part of this directors' report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES

Customers

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

During the Reporting Period, the Group served customers in Hong Kong. For the years ended 30 April 2019 and 30 April 2020, the revenue generated from contracts awarded by the CEDD and the Lands Department represented approximately 84.9% and 51.7% of the Group's total revenue respectively. The Directors consider that customer concentration is not uncommon for construction companies in Hong Kong which mainly undertake public works and particularly slope works. The business model is sustainable despite customer concentration mainly due to our competitive strengths (in particular, our high performance ratings under the Contractor's Performance Index System) through open tendering for Government projects and the launch of the Landslip Prevention and Mitigation Programme by the CEDD. The Group has business relationships with most of the top customers ranging from 1 year to over 10 years.

DIRECTORS' REPORT

Suppliers and Subcontractors

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

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

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

Employees

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

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, the total amount of turnover attributed to the Group's largest and the five largest customers accounted for approximately 42.2% and 100% (2019: approximately 49.0% and 100%) of the total revenue of the Group, respectively.

For the Reporting Period, the Group's purchases from the largest and the five largest suppliers accounted for approximately 31.0% and approximately 72.5% (2019: approximately 23.7% and approximately 67.2%) of the total purchases of the Group respectively.

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

DIRECTORS' REPORT

SEGMENT INFORMATION

The executive Directors regard the Group's business of construction in Hong Kong as main contractor as a single operating segment and review the overall results of the Group as a whole to make decisions about resource allocation.

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 92 of this report.

RESULTS AND DIVIDENDS

The financial performance of the Group for the Reporting Period and the financial position of the Group as at that date are set out in the financial statements on pages 39 to 40 of this report.

No interim or final dividend was declared and paid during the Reporting Period (2019: Nil). No shareholder has agreed to waive dividends.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming AGM of the Company will be held on 23 October 2020. In order to determine eligibility to attend and vote at the forthcoming AGM or any adjournment thereof, the register of members of the Company will be closed from 16 October 2020 (Friday) to 23 October 2020 (Friday) (both days inclusive). All transfer of the Company's shares together with the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office no later than 4:30 p.m. on 14 October 2020 (Wednesday). The share registrar and transfer office is at:

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

PLANT AND EQUIPMENT

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

DIRECTORS' REPORT

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 30 April 2020 are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL AND SHARE PREMIUM

The Company's total issued share capital as at 30 April 2020 was 800,000,000 ordinary shares of HK\$0.01 each.

Details of movements of the share capital and share premium of the Company during the Reporting Period are set out in Note 22 and Note 25 to the consolidated financial statements respectively.

EMOLUMENT POLICY FOR DIRECTORS

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

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

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

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 41 of this report and Note 25 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As of 30 April 2020, the reserves of the Company available for distribution as calculated under the Companies Law Cap. 22 of Cayman Islands, was approximately HK\$27.5 million (2019: approximately HK\$33.3 million) inclusive of share premium and accumulated losses.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors

Ms. Tsui Tsz Fa Mabel (chairman and chief executive officer)

Ms. Liu Tanying

Independent Non-executive Directors

Mr. Yim Kin Ping

Mr. Law Hung Pan (resigned effective from 2 May 2019)

Ms. Li Yixuan

Mr. Lau Wang Lap (appointed effective from 2 May 2019)

Confirmation of Independence

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

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company are set out in pages 11 to 12 under the section headed "Directors and Senior Management" in this report.

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into a service contract with the Company. All the such service contracts are continuous until terminated by either party giving to the other not less than one month's notice in writing. The term of service of a Director is subject to retirement by rotation of Directors as set out in the Articles.

Each of the INEDs is appointed for a term of three years unless terminated by one month's notice in writing or, in the case of Mr. Yim Kin Ping, by three months' notice in writing. The term of service of a Director is subject to retirement by rotation of Directors as set out in the Articles.

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

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

DIRECTORS' REPORT

DISCLOSURE OF INTERESTS

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

As at 30 April 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 30 April 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 that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' REPORT

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for the related party transactions disclosed in Note 27 to the consolidated financial statements, no transactions, arrangements or contract of significance to which the Company or any of its subsidiaries, or its holding company was a party and in which a Director or an entity connected with a Director had a material interest directly or indirectly subsisted at the end of the year or at any time during the Reporting Period.

MANAGEMENT CONTRACTS

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

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

CONNECTED/RELATED PARTY TRANSACTIONS

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

Related party transactions entered into by the Group during the Reporting Period, which constitute fully exempt connected transactions or continuing connected transactions under Chapter 20 of the GEM Listing Rules are disclosed in Note 27 to the consolidated financial statements.

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 Reporting Period.

DIRECTORS' REPORT

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

During the Reporting Period and up to the date of this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 13 to 24 of this report.

PERMITTED INDEMNITY

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

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

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 26 September 2016 (the "Scheme"). 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 year ended 30 April 2020 are as follows:

Grantees	Date of grant	No. of shares comprised in options				As at 30 April 2020	Exercise price per share (Note 1)
		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\$0.0732
Ms. Liu Tanying	30 May 2019	–	8,000,000	–	–	8,000,000	HK\$0.0732
Other Grantees							
(Note 2)	30 May 2019	–	16,000,000	–	–	16,000,000	HK\$0.0732
	Total	–	32,000,000	–	–	32,000,000	

Note 1: The closing price was HK\$0.07 per share for the date immediately prior to the date of grant.

Note 2: The share options have been granted to 2 employees and each of them had 8,000,000 share options.

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

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

EVENTS AFTER REPORTING PERIOD

On 15 July 2020, the share consolidation had become effective, of every five (5) issued and unissued existing shares of par value of HK\$0.01 each in the share capital of the Company was consolidated into one (1) consolidated share of par value of HK\$0.05 each.

For details please refer to the announcements of the Company dated 4 June 2020 and 13 July 2020 and the circular the Company dated 22 June 2020.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group endeavors to monitor and minimize impact to the environment. For the purpose of disclosing the information in relation to environmental, social and governance ("ESG") in accordance with the ESG Reporting Guide in Appendix 20 to the GEM Listing Rules, an ESG report of the Company will be published within three months after publication of the annual report of the Company.

PUBLIC FLOAT

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

AUDITOR

The consolidated financial statements for the Reporting Period have been audited by Elite Partners CPA Limited ("Elite Partners"). Elite Partners shall retire in the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the reappointment as auditors of the Company will be proposed at the forthcoming AGM.

By order of the Board

Tai Kam Holdings Limited

Tsui Tsz Fa Mabel

Chairman and executive Director

Hong Kong, 31 July 2020

INDEPENDENT AUDITOR'S REPORT



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

OPINION

We have audited the consolidated financial statements of Tai Kam Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 39 to 91, which comprise the consolidated statement of financial position as at 30 April 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 April 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance (“HKCO”).

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter

Recognition of contract revenue and costs

The Group recorded revenue from construction contracts of approximately HK\$192,981,000 for the year ended 30 April 2020.

Contract revenue is recognised over time using the output method, based on direct measurements of the value of services delivered or work performed, which is established by reference to the construction works certified by the customers. Contract costs are recognised when work is performed, together with any provisions for expected contract losses.

The recognition of contract revenue and costs relies on management's estimate of the final outcome of each contract, which involves the exercise of significant management judgement, particularly in forecasting the costs to complete a contract, in valuing contract variations, claims and liquidated damages, in estimating the amount of expected losses and in assessing the ability of the Group to deliver services according to the agreed timetable.

We identified contract revenue and costs as a key audit matter because the estimation of the total revenue and total costs to complete contracts is inherently subjective and requires significant management judgement and estimation and because errors in the forecast of contract revenue and contract costs could result in a material variance in the amount of profit or loss recognised from contracts to date and, therefore, in the current period.

How our audit addressed the Key Audit Matter

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

- discussed with the Group's management the performance of the major contracts in progress during the year and challenging the key estimates and assumptions adopted in the forecast of contract revenue and contract costs, including estimated costs to completion, the recognition of variation orders, the adequacy of contingency provisions and their assessment of potential liquidated damages for contracts which are behind schedule, by obtaining and assessing information in connection with the assumptions adopted, including contract agreements and subcontracts, confirmations from and correspondence with customers regarding contract variations and claims and by considering historical outcomes for similar contracts;
- obtained a detailed breakdown of the total estimated costs to completion for major contracts in progress during the year and comparing, on a sample basis, actual costs incurred to-date and cost estimates to agreements, certifications or correspondence with subcontractors and suppliers and other documentation referred to by management in its assessment of the estimated costs to completion; and
- inspected samples of contract agreement with customers and subcontractors to identify key terms and conditions, including contracting parties, contract period, contract sum, scope of work, liquidated damages and evaluating whether these key terms and conditions had been appropriately reflected in the total estimated revenue and costs to complete under the forecasts of contract.

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

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

The engagement director on the audit resulting in this independent auditor's report is Mr. Siu Edmund, with Practising Certificate number P05333.

Elite Partners CPA Limited

Certified Public Accountants

10/F, 8 Observatory Road,

Tsim Sha Tsui,

Kowloon,

Hong Kong

31 July 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	5	192,981	169,065
Direct costs		(182,112)	(153,552)
Gross profit		10,869	15,513
Other income	7	50	14
Administrative expenses		(14,263)	(9,896)
(Loss)/profit from operation		(3,344)	5,631
Finance costs	8(a)	(308)	(212)
(Loss)/profit before taxation	8	(3,652)	5,419
Income tax expense	9	(266)	(1,743)
(Loss)/profit and total comprehensive (expense)/income for the year attributable to owners of the Company		(3,918)	3,676
		HK cents	HK cents (Restated)
(Loss)/earnings per share attributable to owners of the Company			
Basic and diluted	11	(2.45)	2.30

The notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2020

	Notes	2020 HK\$'000	2019 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment	13	3,274	5,190
Right-of-use assets	14	644	–
		3,918	5,190
Current assets			
Trade and other receivables	16	113,769	77,083
Contract assets	17	23,942	22,967
Cash and bank balances	18	28,858	58,549
		166,569	158,599
Current liabilities			
Trade and other payables	19	56,534	45,782
Lease liabilities	20	581	–
Tax payable		2,310	3,641
		59,425	49,423
Net current assets		107,144	109,176
Total assets less current liabilities		111,062	114,366
Non-current liabilities			
Deferred tax liabilities	21	308	524
Lease liabilities	20	77	–
		385	524
Net assets		110,677	113,842
EQUITY			
Share capital	22	8,000	8,000
Reserves	23	102,677	105,842
Total equity attributable to owners of the Company		110,677	113,842

Tsui Tsz Fa Mabel
Director

Liu Tanying
Director

The notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2020

	Total equity attributable to owners of the Company					Total HK\$'000
	Share capital	Share premium*	Capital reserve*	Share option reserve*	Retained earnings*	
	HK\$'000 (Note 22)	HK\$'000 (Note 23)	HK\$'000 (Note 23)	HK\$'000 (Note 23)	HK\$'000	
Balance as at 1 May 2018	8,000	54,718	10,101	–	27,598	100,417
Impart on initial application of HKFRS 15	–	–	–	–	9,749	9,749
Adjusted balance of 1 May 2018	8,000	54,718	10,101	–	37,347	110,166
Profit and total comprehensive income for the year	–	–	–	–	3,676	3,676
Balance as at 30 April 2019 and 1 May 2019	8,000	54,718	10,101	–	41,023	113,842
Loss and total comprehensive expense for the year	–	–	–	–	(3,918)	(3,918)
Recognition of equity-settled share options	–	–	–	753	–	753
Balance as at 30 April 2020	8,000	54,718	10,101	753	37,105	110,677

* These reserves comprise the Group's reserves of approximately HK\$102,677,000 (2019: approximately HK\$105,842,000) in the consolidated statement of financial position.

The notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 APRIL 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities			
(Loss)/profit before taxation		(3,652)	5,419
Adjustments for:			
Depreciation of plant and equipment		1,581	1,852
Depreciation of right-of-use assets		798	–
Loss/(gain) on disposal of plant and equipment		59	(10)
Interest income		–	(4)
Finance costs		308	212
Impairment loss on trade receivables and contract assets		2,114	461
Loss on written off of plant and equipment		167	–
Share option expenses		753	–
Operating profit before working capital changes		2,128	7,930
Changes in working capital:			
Increase in trade and other receivables		(38,744)	(62,769)
Increase in contract assets		(1,031)	(6,439)
Increase in trade and other payables		10,492	14,945
Cash used in operations		(27,155)	(46,333)
Tax paid, net		(1,813)	(1,932)
<i>Net cash used in operating activities</i>		(28,968)	(48,265)
Cash flows from investing activities			
Purchases of plant and equipment		(11)	(347)
Proceeds from disposal of plant and equipment		120	10
Interest received		–	4
<i>Net cash generated from/(used in) investing activities</i>		109	(333)
Cash flows from financing activities			
Proceeds from new loan from a related company of former directors	18	–	13,000
Borrowing cost paid	18	–	(18)
Capital element of lease rental paid	18	(784)	–
Interest element of lease rental paid	18	(48)	–
<i>Net cash (used in)/generated from financing activities</i>		(832)	12,982
Net decrease in cash and cash equivalents		(29,691)	(35,616)
Cash and cash equivalents at the beginning of the reporting period		58,549	94,165
Cash and cash equivalents at the end of the reporting period, represented by cash and bank balances	18	28,858	58,549

The notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

1. GENERAL INFORMATION

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

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

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

The consolidated financial statements for the year ended 30 April 2020 were approved for issue by the board of directors on 31 July 2020.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time in the current year:

- HKFRS 16, *Leases*
- Amendments to HKFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to HKAS 19, *Plan Amendment, Curtailment or Settlement*
- Amendments to HKAS 28, *Long-term interests in associates and joint ventures*
- Amendments to HKFRSs, Annual improvement to HKFRSs 2015-2017 Cycle
- HK(IFRIC) 23, *Uncertainty over income tax treatments*

Except as described below, the application of other new and amendments to HKFRSs in the current year has had no material impact on the Group’s consolidated financial performance and consolidated financial positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 May 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 May 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 May 2019. For contracts entered into before 1 May 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to the premises used for its operation as disclosed in note 20. For an explanation of how the Group applies lessee accounting, see note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

HKFRS 16, Leases (Continued)

b. Lessee accounting and transitional impact (Continued)

At the date of transition to HKFRS 16 (i.e. 1 May 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates as at 1 May 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was approximately 5.64%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 30 April 2020; and
- (ii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 30 April 2019 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in note 26 as at 30 April 2019 to the opening balance for lease liabilities recognised as at 1 May 2019:

	1 May 2019 HK\$'000
Operating lease commitments disclosed as at 30 April 2019	1,325
Less: Recognition exemption – short-term leases	(132)
	<u>1,193</u>
Lease liabilities discounted at relevant incremental borrowing rates	(46)
Lease liabilities as at 1 May 2019	<u><u>1,147</u></u>
Analysed as	
Current	713
Non-current	434
	<u><u>1,147</u></u>

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 30 April 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

HKFRS 16, Leases (Continued)

b. Lessee accounting and transitional impact (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position as at 1 May 2019. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 30 April 2019 HK\$'000	Capitalisation of operating lease contracts HK\$'000	Carrying amount under HKFRS 16 at 1 May 2019 HK\$'000
Non-current assets			
Right-of-use assets	–	1,147	1,147
Current liabilities			
Lease liabilities	–	713	713
Non-current liabilities			
Lease liabilities	–	434	434

c. Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 May 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported loss before taxation excluding finance costs in the Group’s consolidated statement of profit or loss and other comprehensive income, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 18). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the application of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, <i>Definition of a business</i>	1 January 2020
Amendments to HKAS 1 and HKAS 8, <i>Definition of material</i>	1 January 2020
Amendments to HKFRS 16, <i>COVID-19 Related Rent Concessions</i>	1 June 2020
Amendments to Annual Improvements to HKFRSs 2018-2020	1 January 2022

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRSs, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs, issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (“HKCO”). These consolidated financial statements also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”). Significant accounting policies adopted by the Group are disclosed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of preparation of the consolidated financial statements

These consolidated financial statements for the year ended 30 April 2020 comprise the Company and its subsidiaries.

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, Shared-based payment, leasing transactions that are within the scope of HKAS 16 (since 1 May 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted priced (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of preparation of the consolidated financial statements (Continued)

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 4.

3.3 Subsidiaries

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Subsidiaries (Continued)

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 3.6(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

3.4 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Gains or losses arising from the retirement or disposal of an item of plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives. The principal annual rates used for the depreciation of plant and equipment are as follows:

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

Where parts of an item of plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

(A) Policy applicable from 1 May 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected to separate non-lease components and accounts for each lease component and any associated non-lease components for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leased assets (Continued)

As a lessee (Continued)

(B) *Policy applicable prior to 1 May 2019*

In the comparable period as a lessee the Group classified all leases as operating leases. Operating lease payments were recognised as an expense on a straightline basis over the lease term.

3.6 Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (“ECLs”) on the following items:

- financial assets measured at amortised cost (including bank balances, trade and other receivables); and
- contract assets as defined in HKFRS 15 (see note 3.7).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof; and
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the end of the reporting period; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the end of the reporting period.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 180 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Significant increases in credit risk (Continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 3.15(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At the end of each reporting period, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- Plant and equipment;
- Right-of-use assets; and
- Investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets (Continued)

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use, (if determinable).

- Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

3.7 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 3.15) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 3.6(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 3.8).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 3.15). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 3.8).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 3.15).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 3.7).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 3.6(i)).

3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 3.6(i).

3.10 Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

3.11 Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option lapsed, cancelled or expired (when it is released directly to retained earnings).

3.13 Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Income tax (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Provisions and contingent liabilities

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

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

3.15 Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Revenue and other income (Continued)

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on assets under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the output method, i.e. based on direct measurements of the value to the customer of services transferred to date ("Value to the Customer"), provided that the Value to the Customer is established according to the progress certificate (by reference to the amount of completed works confirmed by customer) issued by the customer.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 3.6(i)).

3.16 Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Related parties (Continued)

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

3.17 Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

3.18 Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker (the "CODM") for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

4. ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following accounting judgements and estimates:

(a) Useful lives, residual values and depreciation of plant and equipment

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

(b) Impairment of trade receivables and contract assets

The Group uses provision matrix to calculate ECLs for the trade receivables and contract assets. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables and contract assets with significant balances and credit-impaired are assessed for ECLs individually. The provision of ECLs is sensitive to changes in circumstances and forecast general economic conditions. The information about the ECLs and the Group's trade receivables and contract assets are disclosed in notes 16 and 17. If the financial condition of the customers or the forecast economic conditions were to deteriorate, the actual loss allowance would be higher than estimated.

(c) Construction contracts

As explained in policy note 3.15, revenue from construction contracts are recognised over time using the output method. Such revenue and profit recognition on uncompleted projects is dependent on estimating the outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached and the related contract assets disclosed in note 17 do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total costs or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

5. REVENUE

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

Revenue from contracts with customers for the years ended 30 April 2020 and 2019 which recognised as over time are as follows:

	2020	2019
	HK\$'000	HK\$'000
Contract revenue	<u>192,981</u>	<u>169,065</u>

As at 30 April 2020, the aggregated amount of revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period is HK\$99,933,000 (2019: HK\$256,369,000). The Group applies the practical expedient in paragraph 121 of HKFRS 15 and does not disclose the amount of the transaction price allocated to the remaining performance obligations for contracts with an original expected duration of one year or less. In addition, contracts that include a promise to perform an undefined quantity of tasks at a fixed contractual rate per unit, with no contractual minimums that would make some or all of the consideration fixed, are not included as the possible transaction prices and the ultimate consideration for those contracts will depend on the occurrence or non-occurrence of future customer usage. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur within 12 months (2019: 12 to 22 months). This analysis is solely for compliance with HKFRS 15 disclosure requirement in respect of transaction price allocated to the remaining performance obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

6. SEGMENT INFORMATION

The CODM has been identified as the executive directors of the Company. The CODM regards the Group's business of undertaking site formation works in Hong Kong as main contractor and renovation construction services 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:

	2020 HK\$'000	2019 HK\$'000
Customer A	81,426	76,755
Customer B	58,453	N/A ^(Note)
Customer C	23,689	N/A ^(Note)
Customer D	N/A ^(Note)	66,841

Note: The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Except as disclosed above, no other customers contributed 10% or more to the Group's revenue for both years.

7. OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Bank interest income	–	4
Gain on disposal of plant and equipment	–	10
Sundry income	50	–
	<u>50</u>	<u>14</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2020

8. (LOSS)/PROFIT BEFORE TAXATION

	2020	2019
	HK\$'000	HK\$'000
(Loss)/profit before taxation is stated after charging/(crediting):		
(a) Finance costs		
Interest on lease liabilities	48	–
Interest on amount due to a related company of former directors	260	212
	308	212
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	18,368	23,524
Share option expenses	753	–
Retirement benefit scheme contributions	469	801
	19,590	24,325
(c) Other items		
Auditor's remuneration	400	400
Depreciation of plant and equipment	1,581	1,852
Depreciation of right-of-use assets	798	–
Loss/(gain) on disposal of plant and equipment	59	(10)
Loss on written off of plant and equipment	167	–
Impairment loss on contract assets	56	11
Impairment loss on trade receivables	2,058	450
Operating lease charges in respect of:		
– Premises	–	1,232
– Machinery (included in direct costs)	–	6
Expenses related to short term leases	176	–
Subcontracting charges (included in direct costs)	179,929	151,843

9. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2020

9. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 30 April 2020, 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.

	2020 HK\$'000	2019 HK\$'000
Current tax		
Hong Kong Profits Tax		
– Current year	536	1,947
– Over-provision in respect of prior years	(54)	(26)
	<u>482</u>	<u>1,921</u>
Deferred tax		
– Current year (note 21)	(190)	(152)
– Effect of change in tax rate (note 21)	(26)	(26)
	<u>(216)</u>	<u>(178)</u>
Income tax expense	<u><u>266</u></u>	<u><u>1,743</u></u>

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

	2020 HK\$'000	2019 HK\$'000
(Loss)/profit before taxation	<u>(3,652)</u>	<u>5,419</u>
Tax on (loss)/profit before income tax at 16.5% (2019: 16.5%)	(602)	894
Tax effect of non-taxable income	–	(2)
Tax effect of non-deductible expenses	1,357	1,044
Tax effect of utilisation of estimated tax losses previously not recognised	(287)	–
Effect of two-tiered profits tax rates regime	(165)	(165)
Effect on opening deferred tax balance arising from a change in tax rate during the year	(26)	(26)
Over-provision in respect of prior years	(54)	(26)
Other	43	24
Income tax expense	<u><u>266</u></u>	<u><u>1,743</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

10. DIVIDENDS

The directors of the Company did not recommend the payment of a dividend for the years ended 30 April 2020 and 2019.

11. (LOSS)/EARNINGS PER SHARE

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

	2020	2019
	HK\$'000	HK\$'000
(Loss)/earnings		
(Loss)/profit for the year attributable to owners of the Company	<u>(3,918)</u>	<u>3,676</u>
Number of shares		
Weighted average number of ordinary shares	<u>160,000</u>	160,000 (Restated)

The weighted average number of ordinary shares for the years ended 30 April 2020 and 2019 has been adjusted for share consolidation took place on 15 July 2020.

The computation of diluted loss per share for the year ended 30 April 2020 do not assume the exercise of the Company's outstanding share options had an anti-dilutive effect to the basic loss per share.

There were no dilutive potential ordinary shares for the year ended 30 April 2019 and therefore, diluted earnings per share equals to basic earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2020

12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

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

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

	Directors' fee HK\$'000	Salaries, allowances and other benefits HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	Share option expenses HK\$'000	Total HK\$'000
Year ended 30 April 2020						
Executive directors:						
Ms. Tsui Tsz Fa Mabel (Chairman and Chief Executive Officer) (note (i))	-	180	-	9	214	403
Ms. Liu Tanying (note (iii))	-	180	-	-	214	394
	-	360	-	9	428	797
Independent non-executive directors:						
Mr. Law Hung Pan (note (vi))	15	-	-	-	-	15
Ms. Li Yixuan (note (vii))	120	-	-	-	-	120
Mr. Yim Kin Ping	150	-	-	-	-	150
Mr. Lau Wang Lap (note (x))	178	-	-	-	-	178
	463	-	-	-	-	463
	463	360	-	9	428	1,260

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2020

12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

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

	Directors' fee HK\$'000	Salaries, allowances and other benefits HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Year ended 30 April 2019					
Executive directors:					
Ms. Tsui Tsz Fa Mabel (Chairman and Chief Executive Officer) (note (i))	-	173	-	9	182
Mr. Lau King Shun (Chief Executive Officer) (note (ii))	-	801	130	12	943
Ms. Liu Tanying (note (iii))	-	153	-	-	153
Mr. Lau Kan Sui Sanny (note (iv))	-	23	-	1	24
Mr. Lau Mei Chai (note (v))	-	23	-	1	24
	-	1,173	130	23	1,326
Independent non-executive directors:					
Mr. Law Hung Pan (note (vi))	173	-	-	-	173
Ms. Li Yixuan (note (vii))	12	-	-	-	12
Mr. Yim Kin Ping	150	-	-	-	150
Ms. Wong Yuk King (note (viii))	135	-	-	-	135
Mr. Ho Cheuk Wai (note (ix))	6	-	-	-	6
	476	-	-	-	476
	<u>476</u>	<u>1,173</u>	<u>130</u>	<u>23</u>	<u>1,802</u>

Notes:

- (i) Ms. Tsui Tsz Fa Mabel was appointed as an executive director on 16 May 2018 and appointed as the Chairman and Chief Executive Officer on 6 January 2019.
- (ii) Mr. Lau King Shun was resigned as an executive director and chief executive officer on 6 January 2019.
- (iii) Ms. Liu Tanying was appointed as an executive director on 16 May 2018.
- (iv) Mr. Lau Kan Sui Sanny was resigned as an executive director on 16 May 2018.
- (v) Mr. Lau Mei Chai was resigned as an executive director on 16 May 2018.
- (vi) Mr. Law Hung Pan was appointed as an independent non-executive director on 16 May 2018 and resigned on 2 May 2019.
- (vii) Ms. Li Yixuan was appointed as the independent non-executive director on 25 March 2019.
- (viii) Ms. Wong Yuk King was resigned as the independent non-executive director on 25 March 2019.
- (ix) Mr. Ho Cheuk Wai was resigned as the independent non-executive director on 16 May 2018.
- (x) Mr. Lau Wang Lap was appointed as the independent non-executive director on 2 May 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2020

12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

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

Ms. Tsui Tsz Fa Mabel is also the Chief Executive Officer of the Group and her emoluments disclosed above include those for services rendered by her as the Chief Executive Officer.

Except for those disclosed in material related party transactions in note 27 to the consolidated financial statements, no other transactions, arrangements or contracts in relation of significant to the Group's business to which the Company or any subsidiaries of the Company was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(b) Five highest paid individuals

None of the director (2019: Nil) is included in the five highest paid individuals of the Group for the year ended 30 April 2020 whose emoluments are disclosed above. Details of the emoluments of the remaining five (2019: remaining five) highest paid individuals are as follows:

	2020	2019
	HK\$'000	HK\$'000
Salaries, wages and allowances	4,504	4,346
Discretionary bonuses	1,804	582
Retirement scheme contributions	72	80
Share option expenses	162	–
	6,542	5,008

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Nil – HK\$1,000,000	1	3
HK\$1,000,001 – HK\$1,500,000	3	2
HK\$1,500,001 – HK\$2,000,000	1	–
	5	5

No emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office as a director or management of any members of the Group for both years. None of the directors or the five highest paid individuals has waived or agreed to waive any emoluments for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2020

13. PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and fixture HK\$'000	Machinery and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST:					
As at 1 May 2018	511	835	2,156	8,419	11,921
Additions	–	7	–	340	347
Disposals	–	–	–	(667)	(667)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 April 2019 and 1 May 2019	511	842	2,156	8,092	11,601
Additions	–	11	–	–	11
Disposals	–	–	–	(579)	(579)
Written off	(47)	(382)	(36)	–	(465)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 April 2020	464	471	2,120	7,513	10,568
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ACCUMULATED DEPRECIATION:					
As at 1 May 2018	42	215	1,642	3,327	5,226
Charge for the year	102	168	247	1,335	1,852
Written back on disposals	–	–	–	(667)	(667)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 April 2019 and 1 May 2019	144	383	1,889	3,995	6,411
Charge for the year	93	93	133	1,262	1,581
Written back on disposals	–	–	–	(400)	(400)
Written off	(28)	(248)	(22)	–	(298)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 April 2020	209	228	2,000	4,857	7,294
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
CARRYING AMOUNT:					
As at 30 April 2020	255	243	120	2,656	3,274
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
As at 30 April 2019	367	459	267	4,097	5,190
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2020

14. RIGHT-OF-USE ASSETS

	Leased properties HK\$'000
Cost	
As at 1 May 2019 (restated)	1,147
Additions	<u>295</u>
As at 30 April 2020	<u>1,442</u>
Accumulated depreciation	
As at 1 May 2019	–
Charge for the year	<u>798</u>
As at 30 April 2020	<u>798</u>
Carrying amount	
At 30 April 2020	<u><u>644</u></u>

The Group leases three properties for its operation. Lease contracts for the properties and entered into for fixed term range from 2 to 3 years and no extension and termination options. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

15. INTERESTS IN SUBSIDIARIES

Particulars of the Company's subsidiaries as at 30 April 2020 and 2019 are as follows:

Name of company	Place/country of incorporation and operation	Type of legal entity	Particulars of issued share capital	Equity interest held by the Company	Principal activities
Sunsky Global Limited ("Sunsky Global")	BVI	Limited liability	200 ordinary shares of USD 1 each	100%* (2019: 100%)*	Investment holding
Solar Red Investments Limited	BVI	Limited liability	1 ordinary share of USD 1 each	100% (2019: 100%)	Intellectual properties holding and provision of administrative service to its group companies
Prosperous Express Investment Limited ("Prosperous Express")	BVI	Limited liability	1 ordinary share of USD 1 each	100%* (2019: 100%)*	Investment holding
Ease Geotechnical Engineering Company Limited	Hong Kong	Limited liability	10,100,000 ordinary shares of HK\$1 each	100% (2019: 100%)	Investment holding and undertaking slope works
Tai Kam Construction	Hong Kong	Limited liability	10,100,000 ordinary shares of HK\$1 each	100% (2019: 100%)	Undertaking slope works
Creation Best Engineering Limited	Hong Kong	Limited liability	1 ordinary share of HK\$1 each	100% (2019: 100%)	Undertaking renovation work and site formation works

* Sunsky Global and Prosperous Express were held by the Company directly.

None of the subsidiaries had issued any debt securities subsisting at the end of both years or any time during the years ended 30 April 2019 and 2020.

16. TRADE AND OTHER RECEIVABLES

	As at 30 April 2020 HK\$'000	As at 30 April 2019 HK\$'000
Trade receivables from contracts with customers (net of allowance for credit losses) (note (a))	73,223	13,996
Surety bond (note (b))	4,500	4,500
Other receivables and deposits	515	467
Prepayment (note (c))	35,531	58,120
	113,769	77,083

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2020

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables from contracts with customers

The Group usually grants credit period from 21 to 60 days (2019: 21 to 60 days) to customers. The ageing analysis of the trade receivables based on the invoice dates (net of allowance for credit losses) is as follows:

	2020	2019
	HK\$'000	HK\$'000
0 – 90 days	11,136	12,474
91 – 180 days	6,622	1,522
181 – 365 days	52,704	–
Over 365 days	2,761	–
	73,223	13,996

As at 1 May 2018, trade receivables from contracts with customers amounted to approximately HK\$11,785,000.

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

(b) Surety bond

A customer of construction contract undertaken by the Group required 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. As at 30 April 2020, the Group had an outstanding surety bond of HK\$4,500,000 (2019: HK\$4,500,000).

(c) Prepayment

During the year ended 30 April 2020, an aggregate amount of approximately HK\$35,000,000 (2019: HK\$55,909,000) paid to sub-contractors for a construction contract. The prepayment is expected to be recognised as expenses within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

17. CONTRACT ASSETS

	30 April 2020 HK\$'000	30 April 2019 HK\$'000
Contract assets		
Arising from performance under construction contracts	<u>23,942</u>	<u>22,967</u>
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "trade and other receivables"	<u>73,223</u>	<u>13,996</u>

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. The Group also typically agrees to a twelve months retention period for 5% to 10% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

No contract assets is expected to be recovered after more than one year. As at 30 April 2020, included in contract assets are retention receivables amounted to HK\$7,600,000 (2019: HK\$5,965,000).

18. CASH AND BANK BALANCES

	2020 HK\$'000	2019 HK\$'000
Cash at banks and in hand	<u>28,858</u>	<u>58,549</u>

Note:

- (i) Cash at banks earns interest at floating rates based on daily bank deposit rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2020

18. CASH AND BANK BALANCES (CONTINUED)

Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Lease liabilities HK\$'000	Amount due to a related company of former directors HK\$'000	Total HK\$'000
As at 1 May 2018	–	–	–
Changes from financing cash flows:			
Proceeds from new loan from a related company of former directors	–	13,000	13,000
Interest paid	–	(18)	(18)
Other change:			
Finance costs (note 8(a))	–	212	212
As at 30 April 2019	–	13,194	13,194
Application of HKFRS 16 (note 2)	1,147	–	1,147
As at 1 May 2019	1,147	13,194	14,341
Changes from financing cash flows:			
Capital element of lease rental paid	(784)	–	(784)
Interest element of lease rental paid	(48)	–	(48)
Other changes:			
Finance costs (note 8(a))	48	260	308
New leases entered	295	–	295
As at 30 April 2020	658	13,454	14,112

19. TRADE AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Trade payables (note (a))	35,657	26,590
Retention payables	5,397	3,403
Accruals and other payables	2,026	2,595
Amount due to a related company of former directors (note (b))	13,454	13,194
	56,534	45,782

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

19. TRADE AND OTHER PAYABLES (CONTINUED)

As at 30 April 2020 and 2019, no retention payables expected to be settled after more than one year. All of the other trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

Notes:

(a) Trade payables

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

	2020 HK\$'000	2019 HK\$'000
0 – 30 days	34,144	22,910
31 – 60 days	–	–
61 – 90 days	–	3,680
Over 90 days	1,513	–
	<u>35,657</u>	<u>26,590</u>

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

(b) The amount due is non-trade nature, unsecured, interest-bearing at 2% per annum and repayable on demand.

20. LEASE LIABILITIES

	HK\$'000
As at 1 May 2019 (restated)	1,147
Additions	295
Imputed interest	48
Payments during the year	<u>(832)</u>
As at 30 April 2020	<u>658</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2020

20. LEASE LIABILITIES (CONTINUED)

Lease liabilities payable:

	Minimum lease payments	Present value of lease liabilities
	HK\$'000	HK\$'000
Minimum lease payment due:		
– Within one year	595	581
– More than one year but not more than two years	78	77
	<u>673</u>	<u>658</u>
Future finance charges	(15)	–
Present value of lease liabilities	<u><u>658</u></u>	658
Amounts due for settlement within one year (shown under current liabilities)		<u>(581)</u>
Amounts due for settlement after one year (shown under non-current liabilities)		<u><u>77</u></u>

21. DEFERRED TAXATION

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

	Accelerated tax depreciation
	HK\$'000
As at 1 May 2018	702
Charged to profit or loss (note 9)	(152)
Effect of change in tax rate (note 9)	(26)
	<u>524</u>
As at 30 April 2019 and 1 May 2019	524
Charged to profit or loss (note 9)	(190)
Effect of change in tax rate (note 9)	(26)
	<u>308</u>
As at 30 April 2020	<u><u>308</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

22. SHARE CAPITAL

	2020		2019	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Ordinary share of HK\$0.01 each	<u>2,000,000,000</u>	<u>20,000</u>	<u>2,000,000,000</u>	<u>20,000</u>

	2020		2019	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Issued and fully paid:	<u>800,000,000</u>	<u>8,000</u>	<u>800,000,000</u>	<u>8,000</u>

23. RESERVES

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

Share premium

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

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

Capital reserve

Capital reserve of the Group as at 30 April 2020 and 2019 represents the difference between the nominal values of the share capital of subsidiaries acquired by the Group and the nominal value of the Company's shares issued for the acquisition under the group reorganisation.

Share option reserve

Share option reserve represents the fair value of the actual on estimated number of unexercised or lapsed share options granted to grantee recognised in accordance with the accounting policy adopted for share-based payments as descended in note 3 to these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

24. SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 26 September 2016 for the primary purpose of providing incentives to directors, eligible employees and consultants. Under the Share Option Scheme, the Board of Directors of the Company may grant options to eligible persons to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Company or to customers for maintaining business relationship. The Share Option Scheme is valid and effective for a period of 10 years from the date of adoption.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board of Directors is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

During the year ended 30 April 2020, a total of 32,000,000 share options have been granted and vested immediately pursuant to the Share Option Scheme (2019: Nil) and expense of approximately HK\$753,000 was charged to profit or loss.

The terms and conditions of the grants are as follows:

	Number of Instruments	Exercise period
Options granted to directors: – on 30 May 2019	16,000,000	Exercisable from 30 May 2019 to 29 May 2029
Options granted to employees: – on 30 May 2019	16,000,000	Exercisable from 30 May 2019 to 29 May 2029
Total share options granted	<u>32,000,000</u>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

24. SHARE OPTION SCHEME (CONTINUED)

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price HK\$	Number of share options
Outstanding as at 1 May 2018, 30 April 2019 and 1 May 2019	–	–
Granted during the year	0.0732	32,000,000
	<hr/>	<hr/>
Outstanding as at 30 April 2020	0.0732	32,000,000
	<hr/> <hr/>	<hr/> <hr/>

No share options were exercised during the year ended 30 April 2020.

The options outstanding as at 30 April 2020 had an exercise price of HK\$0.0732 and a weighted average remaining contractual life of 9.1 years.

Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial option pricing model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial option pricing model.

Fair value of share options and assumptions

Grant date	30 May 2019
Fair value at measurement date	HK\$0.020 to HK\$0.027
Share price	HK\$0.066
Exercise price	HK\$0.0732
Expected volatility	35.91%
Option life	10 years
Expected dividend	0%
Risk-free interest rate	1.48%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2020

25. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 HK\$'000	2019 HK\$'000
ASSETS AND LIABILITIES		
Non-current assets		
Right-of-use assets	222	–
Investments in subsidiaries	10,183	10,183
	10,405	10,183
Currents assets		
Amounts due from subsidiaries	100,061	63,693
Prepayments and deposits	305	1,307
Bank balance	10,801	40,931
	111,167	105,931
Current liabilities		
Other payables	1,002	708
Amounts due to subsidiaries	73,916	63,903
Lease liabilities	148	–
	75,066	64,611
Net current assets	36,101	41,320
Total assets less current liabilities	46,506	51,503
Non-current liability		
Lease liabilities	77	–
Net assets	46,429	51,503
EQUITY		
Share capital	8,000	8,000
Reserves (note)	38,429	43,503
Total equity	46,429	51,503

Signed on behalf of the board of directors by:

Liu Tanying
Director

Tsui Tsz Fa Mabel
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

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

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

	Share premium HK\$'000 (Note 23)	Capital reserve HK\$'000	Share option reserve HK\$'000 (Note 23)	Accumulated losses HK\$'000	Total reserves HK\$'000
Balance as at 1 May 2018	54,718	10,183	–	(17,048)	47,853
Loss and total comprehensive expense for the year	–	–	–	(4,350)	(4,350)
Balance as at 30 April 2019 and 1 May 2019	54,718	10,183	–	(21,398)	43,503
Loss and total comprehensive expenses for the year	–	–	–	(5,827)	(5,827)
Recognition of equity-settled share options	–	–	753	–	753
Balance as at 30 April 2020	54,718	10,183	753	(27,225)	38,429

Capital reserve

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

26. OPERATING LEASE COMMITMENTS

As at 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:

	2019 HK\$'000
Within one year	885
In the second to fifth years	440
	<u>1,325</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

27. RELATED PARTY TRANSACTIONS

During the reporting period, the transactions with the following parties are considered to be related party transactions of the Group:

(a) Key management personnel remuneration

The emoluments of the directors and senior management of the Company, who represent the key management personnel during the years ended 30 April 2020 and 2019 are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries, fee and allowances	4,367	4,340
Discretionary bonuses	1,804	694
Retirement scheme contributions	81	95
Share option expenses	428	–
	<u>6,680</u>	<u>5,129</u>

(b) Balance with related party

The detail of the balance with a related company of former directors is disclosed in note 19 to the consolidated financial statements.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

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

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

Exposure to credit risk and impairment assessment, liquidity risk and interest rate risk arise in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

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

(a) Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets. The Group's exposure to credit risk arising from bank balances is limited because the counterparties are banks and financial institutions with their sound credit ratings, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 42% (2019: 49%) and 100% (2019: 100%) of the total trade receivables and contract assets (collectively, the "Receivables") was due from the Group's largest customer and the five largest customers respectively.

Individual credit evaluations are performed as part of the acceptance procedures for new construction contracts. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle progress billings and retention receivables in accordance with contracted terms. Trade receivables are generally due within 60 days upon receipt of progress certificates issued by the Group's customers. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Given the major customers of the Group are the Government of the Hong Kong Special Administrative Region ("HKSAR") and its related organisations and the Group has not experienced any significant credit losses in the past, management considered that the allowance for ECLs is insignificant. Other than HKSAR and its related organisations, provision for impairment of trade receivables and contract assets has been made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2020

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

(a) Credit risk and impairment assessment (Continued)

Trade receivables and contract assets (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 30 April 2020 and 2019.

	2020		
	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current (not past due)	0.5	34,128	(154)
1-90 days past due	4.7	7,169	(339)
91-180 days past due	2.6	51,260	(1,318)
181-365 days past due	2.6	3,755	(97)
More than 365 days past due	19.5	3,428	(667)
		<u>99,740</u>	<u>(2,575)</u>

	2019		
	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current (not past due)	0.4	31,995	(114)
1-90 days past due	6.4	5,429	(347)
		<u>37,424</u>	<u>(461)</u>

Movement in the lifetime ECL (not credit-impaired) in respect of trade receivables during the year is as follows:

	2020 HK\$'000	2019 HK\$'000
Balance as at 1 May	450	–
Impairment losses recognised during the year	2,058	450
Balance as at 30 April	<u>2,508</u>	<u>450</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

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

(a) Credit risk and impairment assessment (Continued)

Trade receivables and contract assets (Continued)

Movement in the lifetime ECL (not credit-impaired) in respect of contract assets during the year is as follows:

	2020 HK\$'000	2019 HK\$'000
Balance as at 1 May	11	–
Impairment losses recognised during the year	56	11
Balance as at 30 April	<u>67</u>	<u>11</u>

Other receivables, surety bond and deposits

The credit quality of other receivables, surety bond and deposits has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. The directors are of the opinion that the credit risk of other receivables, surety bond and deposits is low due to the sound collection history of the receivables due from them. Therefore, expected credit loss rate of the other receivables, surety bond and deposits are assessed to be close to zero.

(b) Liquidity risk

Individual subsidiaries within the Group are responsible for their own cash management, including the raising of loans to cover the expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the shorter and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to repay.

	As at 30 April 2020			Carrying amount as at 30 April 2020 HK\$'000
	Contractual undiscounted cash outflow Within 1 year or on demand HK\$'000	More than 1 year but less than 5 years HK\$'000	Total HK\$'000	
Trade and other payables	56,534	–	56,534	56,534
Lease liabilities	595	78	673	658
	<u>57,129</u>	<u>78</u>	<u>57,207</u>	<u>57,192</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2020

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

(b) Liquidity risk (Continued)

	As at 30 April 2019			Carrying amount as at 30 April 2019 HK\$'000
	Contractual undiscounted cash outflow			
	Within 1 year or on demand HK\$'000	More than 1 year but less than 5 years HK\$'000	Total HK\$'000	
Trade and other payables	45,782	–	45,782	45,782

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash at banks, amount due to a related company of former directors and leases liabilities. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. The Group's interest rate profiles as monitored by management is set out in (i) below.

The Group does not anticipate significant impact to cash at banks because the interest rates of bank deposits are not expected to change significantly. Other than amount due to a related company of former directors and lease liabilities which carry interest at fixed interest rates the Group has no other significant interest-bearing assets or liabilities. Therefore, the interest rate risk mainly arises from amount due to a related company of former directors and lease liabilities.

However, the interest expenses derived therefrom are relatively insignificant to the Group's operations. Therefore, the Group's income and operating cash flows are less dependent on changes in market interest rates. Accordingly, the directors of the Company are of the opinion that the Group does not have significant cash flow and fair value interest rate risk and no sensitivity analysis is performed. The Group has not used financial derivatives to hedge against the interest rate risk. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest rate exposure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2020

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

(c) Interest rate risk (Continued)

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	As at 30 April			
	2020		2019	
	Effective interest rate	Amount HK\$'000	Effective interest rate	Amount HK\$'000
Fixed rate borrowings:				
Amount due to a related company of former directors	<u>2%</u>	<u>13,454</u>	<u>2%</u>	<u>13,194</u>
Fixed rate borrowings as a percentage of total borrowings		100%		100%

(d) Fair values measurement

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost were not materially different from their fair values as at 30 April 2020 and 2019.

29. CAPITAL MANAGEMENT

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

29. CAPITAL MANAGEMENT (CONTINUED)

As at 30 April 2020 and 2019, the debt to equity ratio was as follows:

	As at 30 April	
	2020 HK\$'000	2019 HK\$'000
Amount due to a related company of former directors	13,454	13,194
Lease liabilities	658	–
Total debt	14,112	13,194
Total equity	110,677	113,842
Debt-to-equity ratio	13%	12%

The Government of the Hong Kong Special Administrative Region (the “Government”) requires contractors on the list of approved contractors for public works (the “List”) to maintain such minimum working capital as the Government may from time to time determine (the “Required Minimum Working Capital”). A subsidiary of the Company is subject to the Required Minimum Working Capital as the subsidiary is a contractor on the List. Except for this, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

30. EVENTS AFTER THE REPORTING PERIOD

On 15 July 2020, the share consolidation had become effective. The share consolidation of every five issued and unissued shares with par value of HK\$0.01 each in the share capital of the Company be consolidated into one consolidated share with par value of HK\$0.05 each. Details please refer to the announcements of the Company dated 4 June 2020 and 13 July 2020 and the circular of the Company dated 22 June 2020.

31. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 as at 1 May 2019. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

FINANCIAL SUMMARY

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

RESULTS

	2020 HK\$'000	For the year ended 30 April			
		2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	192,981	169,065	180,097	123,502	97,194
Direct costs	(182,112)	(153,552)	(160,750)	(105,953)	(77,561)
Gross profit	10,869	15,513	19,347	17,549	19,633
Other income	50	14	270	200	53
Administrative expenses	(14,263)	(9,896)	(6,147)	(17,287)	(3,842)
Finance cost	(308)	(212)	–	–	–
(Loss)/profit before taxation	(3,652)	5,419	13,470	462	15,844
Income tax expense	(266)	(1,743)	(2,508)	(3,010)	(2,942)
(Loss)/profit and total comprehensive (expense)/income for the year attributable to owners of the Company	(3,918)	<u>3,676</u>	<u>10,962</u>	<u>(2,548)</u>	<u>12,902</u>

ASSETS AND LIABILITIES

	2020 HK\$'000	As at 30 April			
		2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Total assets	170,487	163,789	126,244	106,867	46,094
Total liabilities	(59,810)	(49,947)	(25,827)	(17,412)	(16,810)
Total equity	110,677	<u>113,842</u>	<u>100,417</u>	<u>89,455</u>	<u>29,284</u>