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FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 JULY 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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.

This announcement, 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 the GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.

FINANCIAL HIGHLIGHTS

Revenue amounted to approximately HK\$33.6 million for the three months ended 31 July 2017 (the “Reporting Period”) (2016: approximately HK\$24.0 million), representing an increase of approximately 40.3% as compared with the corresponding period of last year.

Profit attributable to the equity holders of the Company for the three months ended 31 July 2017 amounted to approximately HK\$2.5 million (2016: loss attributable to the equity holders of approximately HK\$2.3 million).

Basic and diluted earnings per share amounted to approximately HK0.32 cents for the three months ended 31 July 2017 (2016: basic and diluted loss per share of approximately HK0.38 cents).

The Board of Directors (the “Board”) does not recommend the payment of interim dividend for the three months ended 31 July 2017 (2016: nil)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (UNAUDITED)**
FOR THE THREE MONTHS ENDED 31 JULY 2017

		For the three months ended 31 July	
	Notes	2017	2016
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	33,629	23,971
Direct costs		<u>(29,250)</u>	<u>(19,668)</u>
Gross profit		4,379	4,303
Administrative expense		<u>(1,207)</u>	<u>(5,973)</u>
Profit/(Loss) before income tax	4	3,172	(1,670)
Income tax expense	5	<u>(638)</u>	<u>(614)</u>
Profit/(Loss) and total comprehensive income/(expense) for the period attributable to equity holders of the Company		<u>2,534</u>	<u>(2,284)</u>
		HK cents	HK cents
Earnings/(Loss) per share attributable to equity holders of the Company — Basic and diluted	7	<u>0.32</u>	<u>(0.38)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE THREE MONTHS ENDED 31 JULY 2017

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (Note)	Retained earnings HK\$'000	Total HK\$'000
Balance as at 1 May 2016	—	—	10,100	19,184	29,284
Loss and total comprehensive expense for the period	—	—	—	(2,284)	(2,284)
Effect of reorganisation	—	—	1	—	1
Balance as at 31 July 2016 (unaudited)	—	—	10,101	16,900	27,001
Balance as at 1 May 2017	8,000	54,718	10,101	16,636	89,455
Profit and total comprehensive income for the period	—	—	—	2,534	2,534
Balance as at 31 July 2017 (unaudited)	8,000	54,718	10,101	19,170	91,989

Note: Capital reserve represents the difference between the share capital issued by the Company for acquisition of the subsidiaries pursuant to the reorganisation for the Listing and the aggregate capital of the subsidiaries being acquired at the time of the reorganisation.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 1 April 2016. The address of its registered office and principal place of business are located at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and Room 1503, 15/F, Win Century Centre, 2A Mong Kok Road, Mong Kok, Kowloon, Hong Kong respectively.

The Company is an investment holding company. The Group is principally engaged in undertaking slope works in Hong Kong as main contractor and investment holding.

The Company's immediate and ultimate holding company is Classy Gear Limited, a company incorporated in the British Virgin Islands and beneficially owned by Mr. Lau King Shun and Mr. Lau Kan Sui Sanny (collectively referred to as the "Controlling Shareholders").

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

2. BASIS OF PREPARATION AND REORGANISATION

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 July 2017 has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules").

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

The unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 30 April 2017.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements of the Group for the year ended 30 April 2017, except for the adoption of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for accounting periods beginning on 1 May 2017. The effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group's results of operations or financial position.

The Group has not early adopted the new or amended HKFRSs that have been issued but are not yet effective for the current accounting period. The Directors anticipate that the application of these new or amended HKFRSs will have no material impact on the results and financial position of the Group.

Pursuant to the reorganisation of the Group in connection with the Listing (the “Reorganisation”), the Company became the holding company of the companies now comprising the Group on 17 June 2016. Details of the Reorganisation are set out in the paragraph headed “Reorganisation” in the section headed “History and Development” in the Company’s prospectus dated 20 October 2016 (the “Prospectus”).

The Group has been under the common control of the Controlling Shareholders prior to and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

Accordingly, the unaudited condensed financial statements of the Group have been prepared using the principles of merger accounting in accordance with Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by HKICPA as if the group structure under the Reorganisation had been in existence throughout the three months ended 31 July 2017 and 2016, or since their respective dates of incorporation, where it is a shorter period.

3. REVENUE AND SEGMENT INFORMATION

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

	For the three months ended 31 July	
	2017	2016
	<i>HK\$’000</i>	<i>HK\$’000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Contract revenue	<u>33,629</u>	<u>23,971</u>

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

(a) Geographical information

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

(b) Major customers

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

	For the three months ended 31 July	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	31,372	21,450
Customer B	N/A^(note)	2,521

Note:

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

4. PROFIT/(LOSS) BEFORE INCOME TAX

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

	For the three months ended 31 July	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(a) Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	4,216	4,232
Contributions to defined contribution retirement plans	192	150
	4,408	4,382
(b) Other items		
Depreciation	243	248
Operating lease charges in respect of:		
– Premises	117	116
– Machinery (included in direct costs)	—	34
Subcontracting charges (included in direct costs)	22,410	14,538
Listing expenses (included in administrative expenses)	—	5,334

5. INCOME TAX EXPENSE

	For the three months ended 31 July	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax in Hong Kong		
– Profits Tax	<u>638</u>	<u>614</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the three months ended 31 July 2017 and 2016.

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

6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 July 2017 (2016: nil).

7. EARNINGS/(LOSS) PER SHARE

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

	For the three months ended 31 July	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings/(Loss)		
Profit/(Loss) for the period attributable to equity holders of the Company	<u>2,534</u>	<u>(2,284)</u>
Number of shares		
Weighted average number of ordinary shares (in thousands)	<u>800,000</u>	<u>600,000</u>

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

The weighted average number of ordinary shares used to calculate the basic loss per share for the three months ended 31 July 2016 represents 600,000,000 shares issued pursuant to the Reorganisation and Capitalisation Issue (note) prior to the Listing, as if all these shares had been in issue throughout the period.

There were no dilutive potential ordinary shares during the three months ended 31 July 2017 and 2016 and therefore, diluted earnings/(loss) per share equals to basic earnings/(loss) per share.

Note:

- (i) Pursuant to the written resolutions of the then sole shareholder passed on 26 September 2016, 599,990,000 ordinary shares of HK\$0.01 each were allotted and issued, credited as fully paid at par, by way of capitalisation from the share premium account to the Company (the “Capitalisation Issue”).
- (ii) On 27 October 2016, the Company allotted and issued a total of 200,000,000 ordinary shares of HK\$0.01 each at a price of HK\$0.35 per share in relation to the placing of the Company’s shares (the “Placing”). Of the gross total proceeds of HK\$70,000,000, HK\$2,000,000 representing the par value was credited to the Company’s share capital, and HK\$68,000,000 before deduction of the share issuance expenses of approximately HK\$7,282,000 was credited to the share premium account.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

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

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

However, Hong Kong public works contractors are facing the risk of slower approval progress for public works projects by the Legislative Council of Hong Kong which could result in potential delays in public works projects. In addition, the Group has been facing increasing costs of operation, including cost of labour and subcontracting charges as well as keener competition in the market. Therefore, the industry in Hong Kong is expected to continue to be very challenging in the coming year.

The Group will continue to exercise due care in the pursuance of its existing core business so as to balance the risks and opportunities in the industry in Hong Kong and adjust its business strategies from time to time if required.

The Group was successfully listed on the GEM on 28 October 2016 (the “Listing”). The listing proceeds received have strengthened the Group’s cash flow and the Group will implement its future plans, acquiring new machinery, equipment and motor vehicles and strengthening our manpower according to the implementation plans on the use of listing proceeds set out in the Company’s Prospectus.

During the Reporting Period and up to the date of this announcement, the Group was successfully awarded one public project from Hong Kong Housing Authority (the “Housing Authority”) which is expected to be completed in 2020.

FINANCIAL REVIEW

Revenue

Revenue represents receipts from the provision of undertaking slope works in Hong Kong as main contractor. Slope works generally refer to landslip preventive and remedial works for improving or maintaining the stability of slopes and/or retaining walls.

The Group’s revenue increased by approximately HK\$9.7 million or approximately 40.3% from approximately HK\$24.0 million for the three months ended 31 July 2016 to approximately HK\$33.6 million for the three months ended 31 July 2017. The increase in revenue was mainly due to increase in works performed from CEDD’s slope work projects recognised with reference to the progress certificate under relevant contracts for the three months ended 31 July 2017.

The majority of our revenue during the Reporting Period was derived from undertaking slope works commissioned by the CEDD and Housing Authority.

The executive Directors regard the Group’s business of undertaking slope works in Hong Kong as main contractor as a single operating segment and review the overall results of the Group as a whole to make decisions on resource allocation. Accordingly, no segment analysis information is presented.

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

Gross Profit and Gross Profit Margin

The Group’s gross profit increased by approximately HK\$0.1 million or approximately 1.8% from approximately HK\$4.3 million for the three months ended 31 July 2016 to approximately HK\$4.4 million for the three months ended 31 July 2017 and the Group’s gross profit margin decreased from approximately 18.0% for the three months ended 31 July 2016 to approximately 13.0% for the three months ended 31 July 2017. The decrease in gross profit margin was mainly due to more revenue contribution from contracts with lower margin through the substantial use of subcontractors recognised for the three months ended 31 July 2017.

The Group's direct costs increased by approximately HK\$9.6 million or approximately 48.7% from approximately HK\$19.7 million for the three months ended 31 July 2016 to approximately HK\$29.3 million for the three months ended 31 July 2017. The increase of direct costs is mainly due to the significant increase in subcontracting charges. The increase of subcontracting charges is due to increase in amount of works performed from those projects with substantial use of subcontractors for the three months ended 31 July 2017.

Administrative Expenses

The Group's administrative expenses decreased by approximately HK\$4.8 million or approximately 79.8% from approximately HK\$6.0 million for the three months ended 31 July 2016 to approximately HK\$1.2 million for the three months ended 31 July 2017. Administrative expenses consist primarily of staff costs, professional fees, depreciation, rental expenses and other administrative expenses. The decrease in the Group's administrative expenses was mainly due to the recognition of non-recurring listing expenses of approximately HK\$5.3 million for the three months ended 31 July 2016 while no such expense recognised for the three months ended 31 July 2017, and such decrease is partially offset by an increase in the listing compliance costs for the three months ended 31 July 2017.

Net Profit/(Loss)

Net profit amounted to approximately HK\$2.5 million for the three months ended 31 July 2017 as compared to a net loss of approximately HK\$2.3 million for three months ended 31 July 2016. Such increase in net profit was primarily attributable to (i) the increase in revenue and gross profit as discussed above; and (ii) the decrease in administrative expenses for the three months ended 31 July 2017 as discussed above.

OTHER INFORMATION

COMPETING INTEREST

Our Controlling Shareholders, 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 three months ended 31 July 2017.

COMPLIANCE ADVISERS' INTERESTS

As at 31 July 2017, as notified by the Company's compliance adviser, Dakin Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 15 June 2016, neither the Compliance Adviser nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in the securities to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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

During the three months ended 31 July 2017 and up to the date of this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

During the three months ended 31 July 2017 and up to the date of this announcement, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules save for the deviation from code provision A.2.1 explained below. Ever since the Company appointed KS Lau as chairman and chief executive officer, the roles of the chairman and chief executive officer have not been separated for performance by two different individuals.

KS Lau has been managing the Group's business and overall financial and strategic planning since April 2000. The Board believes that the vesting of the roles of chairman and chief executive officer in KS Lau 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 which represent half of the Board, the Board considers that there is a balance of power and authority such that no one individual has unfettered power of decision. Accordingly, the Company has not segregated the roles of its chairman and chief executive officer as required by Code Provision A.2.1 of Appendix 15 to the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of conduct regarding securities transactions by the Directors (the "Code of Conduct") on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the three months ended 31 July 2017 and up to the date of this announcement.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 July 2017 (2016: nil).

SHARE OPTION SCHEME

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

No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 July 2017.

AUDIT COMMITTEE

The Audit Committee was established on 26 September 2016 with written terms of reference in compliance with the GEM Listing Rules which are available on the websites of the Stock Exchange and the Company. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Ho Cheuk Wai, Ms. Wong Yuk King and Mr. Yim Kin Ping. The chairman of the Audit Committee is Mr. Ho Cheuk Wai, who has appropriate professional qualifications and experience in accounting matters. The Audit Committee had reviewed the unaudited financial statements of the Group for the three months ended 31 July 2017 with the management and is of the view that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

By order of the Board
Tai Kam Holdings Limited
Lau King Shun
Chairman and Executive Director

Hong Kong, 11 September 2017

As at the date of this announcement, the executive Directors are Mr. Lau King Shun, Mr. Lau Kan Sui Sanny and Mr. Lau Mei Chai, and the independent non-executive Directors are Mr. Yim Kin Ping, Mr. Ho Cheuk Wai and Ms. Wong Yuk King

This announcement will remain on the Stock Exchange’s website at www.hkexnews.hk, on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the Company’s website at www.taikamholdings.com.