

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 31 OCTOBER 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\$66.5 million for the six months ended 31 October 2017 (the “Reporting Period”) (2016: approximately HK\$50.7 million), representing an increase of approximately 31.2% as compared with the corresponding period of 2016.

Profit attributable to the equity holders of the Company for the six months ended 31 October 2017 amounted to approximately HK\$3.9 million (2016: loss attributable to the equity holders of approximately HK\$5.5 million).

Basic and diluted earnings per share amounted to approximately HK0.49 cents for the six months ended 31 October 2017 (2016: basic and diluted loss per share of approximately HK0.92 cents).

The Board of Directors (the “Board”) does not recommend a payment of an interim dividend for the six months ended 31 October 2017 (2016: nil).

## **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 listing proceeds set out in the Company’s prospectus dated 20 October 2016 (the “Prospectus”).

During the Reporting Period and up to the date of this announcement, the Group was successfully awarded two public projects from Lands Department which are both expected to be completed in 2021.

## **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\$15.8 million or approximately 31.2% from approximately HK\$50.7 million for the six months ended 31 October 2016 to approximately HK\$66.5 million for the six months ended 31 October 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 six months ended 31 October 2017.

The majority of our revenue during the Reporting Period was derived from undertaking slope works commissioned by the CEDD 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 decision on resources allocation. Accordingly, no segment analysis information is presented.

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

### **Gross Profit and Gross Profit Margin**

The Group’s gross profit decreased by approximately HK\$1.6 million or approximately 17.3% from approximately HK\$9.3 million for the six months ended 31 October 2016 to approximately HK\$7.7 million for the six months ended 31 October 2017 and the Group’s gross profit margin decreased from approximately 18.3% for the six months ended 31 October 2016 to approximately 11.6% for the six months ended 31 October 2017. The decrease in gross profit margin was mainly due to more revenue contribution from contracts with lower margin undertaking by substantial use of subcontractors being recognised for the six months ended 31 October 2017.

The Group's direct costs increased by approximately HK\$17.4 million or approximately 42.1% from approximately HK\$41.4 million for the six months ended 31 October 2016 to approximately HK\$58.9 million for the six months ended 31 October 2017. The increase of direct costs is mainly due to the significant increase in subcontracting charges. The increase of subcontracting charges is due to an increase in the amount of works performed with substantial use of subcontractors for the six months ended 31 October 2017.

### **Administrative expenses**

The Group's administrative expenses decreased by approximately HK\$10.5 million or approximately 77.8% from approximately HK\$13.5 million for the six months ended 31 October 2016 to approximately HK\$3.0 million for the six months ended 31 October 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\$12.2 million for the six months ended 31 October 2016 while no such expense was recognised for the six months ended 31 October 2017 and such decrease is partly offset by an increase in listing compliance costs for the six months ended 31 October 2017.

### **Net Profit/Loss**

Net profit amounted to approximately HK\$3.9 million for the six months ended 31 October 2017 as compared with net loss amounting to approximately HK\$5.5 million for six months ended 31 October 2016. Such increase in net profit was primarily attributable to the decrease in administrative expenses for the six months ended 31 October 2017 as discussed above.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the Reporting Period, the Group's operations, capital expenditure and other capital requirements were funded by internal resources and net proceeds raised from the placing as disclosed in the Prospectus (the "Placing").

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

### **CASH POSITION**

As at 31 October 2017, the cash and bank balances of the Group amounted to approximately HK\$80.5 million (as at 30 April 2017: approximately HK\$80.7 million), representing a decrease of approximately HK\$0.2 million as compared to that as at 30 April 2017.

## **PLEDGE OF ASSETS**

There was no pledge of assets as at 31 October 2017 (as at 30 April 2017: nil).

## **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 31 October 2017 and as at 30 April 2017, we did not have any outstanding borrowings.

## **TREASURY POLICY**

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Reporting Period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

## **FOREIGN EXCHANGE EXPOSURE**

The Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollars. For the six months ended 31 October 2017 and for the six months ended 31 October 2016, there was no material impact to the Group arising from the fluctuation in foreign exchange rates.

The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the six months ended 31 October 2017 (2016: nil).

## **CAPITAL COMMITMENTS**

As at 31 October 2017, the Group had capital commitments of approximately HK\$1,552,000 (30 April 2017: HK\$610,000).

## **CONTINGENT LIABILITIES**

There were no significant contingent liabilities of the Group as at 31 October 2017 (30 April 2017: nil).

## **CAPITAL STRUCTURE**

The shares of the Company were successfully listed on the GEM of the Stock Exchange on 28 October 2016. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 October 2017, 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 112 employees (including executive Directors) as at 31 October 2017 (as at 30 April 2017: 94 employees). Remuneration is determined with reference to market terms and the performance, qualifications and experience of the individual employee. Remuneration includes monthly salaries, performance linked bonuses, retirement benefits schemes and other allowance and benefits.

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

Apart from the reorganisations in relation to the Listing as disclosed in the Prospectus, there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 31 October 2017. Save for the business plan as disclosed in the Prospectus, there was no plan for material investments or capital assets as at 31 October 2017.

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

Due to keen competition among tenderers, the Group was awarded only one new CEDD slope works contract ("new CEDD project") for the year ended 30 April 2017 and one new slope works contract from the Housing Authority ("new HA project") and two new slope works contracts from the Lands Department ("new LD projects") up to 31 October 2017. The new CEDD project and new HA project commenced work during the Reporting Period while the new LD projects commenced work in November 2017.

An analysis of the utilization of the net proceeds from the Listing Date (as defined in the Prospectus) up to 31 October 2017 is set out below:

	<b>Business objectives as stated in the Prospectus</b>	<b>Actual business progress up to 31 October 2017</b>
Addition of machinery, equipment and motor vehicles for undertaking additional Government slope works contracts	Approximately HK\$3.30 million would be used from the Latest Practicable Date (as defined in the Prospectus) up to 31 October 2017 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 acquired two sets of generators and two motor vehicles valued at a total of approximately HK\$0.96 million and was in the process of sourcing additional eight motor vehicles (one motor vehicle for the new HA project and seven motor vehicles for the new LD projects) valued at a total of approximately HK\$2.53 million as at 31 October 2017.
Additional staff costs for undertaking additional Government slope works contracts	Approximately HK\$11.88 million would be used from the Latest Practicable Date up to 31 October 2017 for recruiting and retaining additional staff necessary for our intended business strategy of undertaking additional Government slope works contracts as disclosed in the section headed “Business — Business strategy” in the Prospectus	The Group incurred approximately HK\$1.57 million for recruiting and retaining additional staff necessary for the new CEDD project and new HA project (including site agents, safety officers and labour officers) and was in the process of recruiting additional staff for the new LD projects as at 31 October 2017 as the new LD projects only commenced work in November 2017.



	<b>Business objectives as stated in the Prospectus</b>	<b>Actual business progress up to 31 October 2017</b>
Other related initial costs for undertaking additional Government slope works contracts	Approximately HK\$3.60 million would be used from the Latest Practicable Date up to 31 October 2017 for other related initial costs (including those in relation to setting up site offices and taking out necessary project-related insurance policies) associated with our intended business strategy of undertaking additional Government slope works contracts as disclosed in the section headed “Business — Business strategy” in the Prospectus	The Group incurred project-related insurance costs which amounted to approximately HK\$1.93 million for undertaking four new projects awarded to the Group from the Listing Date up to 31 October 2017.
Amount earmarked for satisfying applicable working capital requirement for undertaking additional Government slope works contracts	Approximately HK\$8.00 million will be earmarked from the Latest Practicable Date up to 30 April 2019 for satisfying the applicable working capital requirement in connection with the additional Government slope works contracts to be undertaken by us (specifically, the requirement of maintaining a minimum working capital of 10% of the combined annual value of uncompleted works on outstanding contracts, applicable to Tai Kam Construction at present as an approved specialist contractor included in the List of Approved Specialist Contractors for Public Works under the category of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls”)	The Group has undertaken four new projects from the Listing Date up to 31 October 2017 which fully utilised the amount earmarked for satisfying the working capital requirement.

## USE OF PROCEEDS

From the Listing Date up to 31 October 2017, the net proceeds from the Listing were applied as follows:

	<b>Planned use of proceeds as stated in the Prospectus HK\$' million</b>	<b>Actual use of proceeds up to 31 October 2017 HK\$'million</b>
Addition of machinery, equipment and motor vehicles	3.30	0.96
Additional staff costs	11.88	1.57
Other related initial costs	3.60	1.93
Working capital	8.00	8.00

As at the date of this announcement, the unutilised proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong.

The Directors regularly evaluates the Group's business objective and may change or modify plans against the changing market condition to ascertain the business growth of the Group. During the period under review, the Directors considered that no material modification of the use of proceeds described in the Prospectus was required.

## OTHER INFORMATION

### COMPETING INTEREST

Our Controlling Shareholders (as defined below), our Directors and their respective close associates confirm that each of them does not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and is required to be disclosed pursuant to Rule 11.04 of the GEM Listing Rules during the six months ended 31 October 2017.

### COMPLIANCE ADVISER'S INTERESTS

As at 31 October 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 of 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 six months ended 31 October 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 six months ended 31 October 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 the 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 a strong and consistent leadership to the Group. In addition, due to the presence of three independent non-executive Directors which represent half of the Board, the Board considers that there is a balance of power and authority such that no one individual has unfettered power of decision. Accordingly, the Company has not segregated the roles of its chairman and chief executive officer as required by Code Provision A.2.1 of Appendix 15 to the GEM Listing Rules.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **DIVIDENDS**

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

## **EVENTS AFTER REPORTING PERIOD**

The address of the Company's principal place of business will be changed to Room 1101, 11/F, Wealth Commercial Centre, 48 Kwong Wa Street, Mong Kok, Kowloon, Hong Kong with effect from 15 December 2017.

## SHARE OPTION SCHEME

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

No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 October 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 has reviewed the unaudited interim financial statements of the Group for the six months ended 31 October 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 have been made.

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

Hong Kong, 7 December 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 Ms. Wong Yuk King, Mr. Yim Kin Ping and Mr. Ho Cheuk Wai.*

*This announcement will remain on the “Latest Company Announcements” page of the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) for at least 7 days from the day of its posting. This announcement will also be published on the Company’s website at [www.taikamholdings.com](http://www.taikamholdings.com).*

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

		For the three months ended 31 October		For the six months ended 31 October	
		2017 <i>HK\$'000</i> <i>(Unaudited)</i>	2016 <i>HK\$'000</i> <i>(Unaudited)</i>	2017 <i>HK\$'000</i> <i>(Unaudited)</i>	2016 <i>HK\$'000</i> <i>(Unaudited)</i>
	Notes				
<b>Revenue</b>	3	<b>32,920</b>	26,744	<b>66,549</b>	50,715
Direct costs		<u>(29,602)</u>	<u>(21,743)</u>	<u>(58,852)</u>	<u>(41,411)</u>
<b>Gross profit</b>		<b>3,318</b>	5,001	<b>7,697</b>	9,304
Other income	4	<b>196</b>	—	<b>196</b>	—
Administrative expense		<u>(1,791)</u>	<u>(7,555)</u>	<u>(2,998)</u>	<u>(13,528)</u>
<b>Profit/(Loss) before income tax</b>	5	<b>1,723</b>	(2,554)	<b>4,895</b>	(4,224)
Income tax expense	6	<u>(364)</u>	<u>(702)</u>	<u>(1,002)</u>	<u>(1,316)</u>
<b>Profit/(Loss) and total comprehensive income/ (expense) for the period attributable to equity holders of the Company</b>		<u><b>1,359</b></u>	<u>(3,256)</u>	<u><b>3,893</b></u>	<u>(5,540)</u>
		<b>HK cents</b>	HK cents	<b>HK cents</b>	HK cents
<b>Earnings/(Loss) per share attributable to equity holders of the Company</b>					
— Basic and diluted	8	<u><b>0.17</b></u>	<u>(0.53)</u>	<u><b>0.49</b></u>	<u>(0.92)</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(UNAUDITED)**

**AS AT 31 OCTOBER 2017**

		<b>As at 31 October 2017 HK\$'000 (Unaudited)</b>	<b>As at 30 April 2017 HK\$'000 (Audited)</b>
<b>ASSETS AND LIABILITIES</b>	<b>Notes</b>		
<b>Non-current asset</b>			
Plant and equipment	9	<u>2,379</u>	<u>2,215</u>
<b>Current assets</b>			
Trade and other receivables	10	14,331	11,226
Amounts due from customers for contract work	11	10,536	12,731
Cash and bank balances	12	<u>80,513</u>	<u>80,695</u>
		<u>105,380</u>	<u>104,652</u>
<b>Current liabilities</b>			
Trade and other payables	13	13,070	12,660
Amounts due to customers for contract work	11	345	1,946
Tax payable		<u>727</u>	<u>2,537</u>
		<u>14,142</u>	<u>17,143</u>
<b>Net current assets</b>		<u>91,238</u>	<u>87,509</u>
<b>Total assets less current liabilities</b>		<u>93,617</u>	<u>89,724</u>
<b>Non-current liability</b>			
Deferred tax liabilities		<u>269</u>	<u>269</u>
<b>Net assets</b>		<u><u>93,348</u></u>	<u><u>89,455</u></u>
<b>EQUITY</b>			
Share capital	14	8,000	8,000
Reserves		<u>85,348</u>	<u>81,455</u>
<b>Total equity attributable to equity holders of the Company</b>		<u><u>93,348</u></u>	<u><u>89,455</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED 31 OCTOBER 2017**

	<b>Share capital</b> <i>HK\$'000</i>	<b>Share premium*</b> <i>HK\$'000</i>	<b>Capital reserve*</b> <i>HK\$'000</i> (Note)	<b>Retained earnings*</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Balance as at 1 May 2016	—	—	10,100	19,184	29,284
Loss and total comprehensive expense for the period	—	—	—	(5,540)	(5,540)
Effect of reorganisation	—	—	1	—	1
Issue of ordinary shares pursuant to the Capitalisation Issue	6,000	(6,000)	—	—	—
Issue of ordinary shares pursuant to the Placing	2,000	68,000	—	—	70,000
Expenses incurred in connection with the issue of ordinary shares	—	(7,282)	—	—	(7,282)
Balance as at 31 October 2016 (unaudited)	<u>8,000</u>	<u>54,718</u>	<u>10,101</u>	<u>13,644</u>	<u>86,463</u>
<b>Balance as at 1 May 2017</b>	<b>8,000</b>	<b>54,718</b>	<b>10,101</b>	<b>16,636</b>	<b>89,455</b>
<b>Profit and total comprehensive income for the period</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,893</u>	<u>3,893</u>
<b>Balance as at 31 October 2017 (unaudited)</b>	<u><b>8,000</b></u>	<u><b>54,718</b></u>	<u><b>10,101</b></u>	<u><b>20,529</b></u>	<u><b>93,348</b></u>

*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.

\* The total of these balances represents “Reserves” in the condensed consolidated statement of financial position.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED 31 OCTOBER 2017**

		<b>For the six months ended 31 October</b>	
	Note	<b>2017</b>	2016
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b><i>(Unaudited)</i></b>	<i>(Unaudited)</i>
Net cash generated from operating activities		<b>272</b>	9,915
Net cash used in investing activities		<b>(454)</b>	(374)
Net cash generated from financing activities		<b>—</b>	62,719
		<hr/>	<hr/>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(182)</b>	72,260
Cash and cash equivalents at beginning of the period		<b>80,695</b>	16,918
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	12	<b>80,513</b>	89,178
		<hr/> <hr/>	<hr/> <hr/>



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Tai Kam Holdings Limited was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 1 April 2016. The address of 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, a company incorporated in the British Virgin Islands ("BVI") 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 were listed on the Growth Enterprise Market 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 six months ended 31 October 2017 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM (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 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 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 Hong Kong Financial Reporting Standards ("HKFRSs") that have been issued but are not yet effective for the current accounting period.

## 2. BASIS OF PREPARATION AND REORGANISATION (CONTINUED)

Pursuant to the reorganisation of the Group in connection with the listing of the shares of the Company on the GEM (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 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 six months ended 31 October 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 October		For the six months ended 31 October	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Contract revenue	<b>32,920</b>	26,744	<b>66,549</b>	50,715

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 October		For the six months ended 31 October	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Customer A	<b>32,690</b>	23,962	<b>64,062</b>	45,412
Customer B	<b>N/A*</b>	2,742	<b>N/A*</b>	5,263

\* The corresponding revenue did not individually contribute over 10% of the Group’s revenue for the corresponding period ended 31 October 2017.

#### 4. OTHER INCOME

	For the three months ended 31 October		For the six months ended 31 October	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Bank interest income	<u>196</u>	<u>—</u>	<u>196</u>	<u>—</u>

#### 5. PROFIT/(LOSS) BEFORE INCOME TAX

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

	For the three months ended 31 October		For the six months ended 31 October	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
(a) <b>Staff costs (including directors' remuneration)</b>				
Salaries, wages and other benefits	5,903	4,043	10,119	8,275
Contributions to defined contribution retirement plans	<u>222</u>	<u>171</u>	<u>414</u>	<u>321</u>
	<u>6,125</u>	<u>4,214</u>	<u>10,533</u>	<u>8,596</u>
(b) <b>Other items</b>				
Depreciation	243	263	486	511
Operating lease charges in respect of:				
– Premises	111	113	228	229
– Machinery (included in direct costs)	4	7	4	41
Subcontracting charges (included in direct costs)	22,025	16,748	44,435	31,286
Listing expenses (included in administrative expenses)	<u>—</u>	<u>6,833</u>	<u>—</u>	<u>12,167</u>

## 6. INCOME TAX EXPENSE

	For the three months ended 31 October		For the six months ended 31 October	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current Hong Kong – Profits Tax	<u>364</u>	<u>702</u>	<u>1,002</u>	<u>1,316</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the six months ended 31 October 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.

## 7. DIVIDEND

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

## 8. 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 October		For the six months ended 31 October	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Earnings/(Loss)</b>				
Profit/(Loss) for the period attributable to equity holders of the Company	<u>1,359</u>	<u>(3,256)</u>	<u>3,893</u>	<u>(5,540)</u>
<b>Number of shares</b>				
Weighted average number of ordinary shares (in thousands)	<u>800,000</u>	<u>608,696</u>	<u>800,000</u>	<u>604,348</u>

## **8. EARNINGS/(LOSS) PER SHARE (CONTINUED)**

The weighted average number of ordinary shares used to calculate the basic earnings per share for the six months ended 31 October 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 six months ended 31 October 2016 includes (i) 1 and 9,999 ordinary shares in issue at beginning of the period and during the period respectively; (ii) 599,990,000 new ordinary shares issued pursuant to the Capitalisation Issue (Note (i)), as if all these shares had been in issue throughout the six months ended 31 October 2016, and (iii) 4,348,000 shares, representing the weighted average of 200,000,000 new ordinary shares issued pursuant to the Placing (Note (ii)).

There were no dilutive potential ordinary shares during the six months ended 31 October 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.

## **9. PLANT AND EQUIPMENT**

During the six months ended 31 October 2017, the Group acquired plant and equipment valued at approximately HK\$650,000 (2016: HK\$374,000).

## 10. TRADE AND OTHER RECEIVABLES

	As at 31 October 2017 <i>HK\$'000</i> (Unaudited)	As at 30 April 2017 <i>HK\$'000</i> (Audited)
Trade receivables	3,584	3,782
Retention receivables (Note (i))	5,795	4,278
Other receivables, deposits and prepayments (Note (ii))	4,933	3,147
Amount due from ultimate holding company (Note (iii))	19	19
	<u>14,331</u>	<u>11,226</u>

Notes:

- (i) Retention receivables are interest-free and repayable approximately one year after the expiry of the defect liability period of construction projects.
- (ii) Other receivables and deposits do not contain impaired assets nor items past due date.
- (iii) The amount due is unsecured, interest free and repayable on demand.

### (a) Ageing analysis

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

	As at 31 October 2017 <i>HK\$'000</i> (Unaudited)	As at 30 April 2017 <i>HK\$'000</i> (Audited)
0 - 30 days	2,568	3,219
31 - 60 days	427	523
Over 90 days	589	40
	<u>3,584</u>	<u>3,782</u>

The Group usually grants credit period ranging from 21 to 60 days to customers.

### (b) Impairment of trade receivables

At each reporting date, the Group reviewed trade receivables for evidence of impairment on both an individual and collective basis. Based on this assessment, no provision for impairment has been recognised as at 31 October 2017 and as at 30 April 2017.

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

## 10. TRADE AND OTHER RECEIVABLES (CONTINUED)

### (c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are not impaired, based on due date, is as follows

	As at 31 October 2017 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 30 April 2017 <i>HK\$'000</i> <i>(Audited)</i>
Neither past due nor impaired	2,995	3,544
1 - 30 days past due	—	198
31 - 60 days past due	549	—
Over 60 days past due	40	40
	589	238
	3,584	3,782

Trade receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to customers that have a good track record with the Group. Based on past credit history, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

## 11. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	As at 31 October 2017 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 30 April 2017 <i>HK\$'000</i> <i>(Audited)</i>
Contract costs incurred plus recognised profits less recognised losses	244,685	178,683
Less: Progress billings	(234,494)	(167,898)
	<u>10,191</u>	<u>10,785</u>
Recognised and included in the condensed consolidated statement of financial position as:		
– Amounts due from customers for contract work	10,536	12,731
– Amounts due to customers for contract work	(345)	(1,946)
	<u>10,191</u>	<u>10,785</u>

All amounts due from/(to) customers for contract work are expected to be recovered/settled within one year.

## 12. CASH AND BANK BALANCES

	As at 31 October 2017 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 30 April 2017 <i>HK\$'000</i> <i>(Audited)</i>
Cash at bank and in hand	20,513	80,695
Short-term bank deposits	60,000	—
	<u>80,513</u>	<u>80,695</u>

Notes:

- (i) Cash at banks earns interest at floating rates based on daily bank deposit rates.
- (ii) During the year ended 30 April 2017, the Group had an aggregate combined credit limit of HK\$15,000,000, within which the sublimits of the overdraft facility of HK\$2,000,000 and clean export loan of HK\$15,000,000 apply. Said banking facilities were secured by the charge over deposit of HK\$3,000,000 and an unlimited guarantee of the Company. The Group did not utilise this facility, which was released on 15 November 2016.
- (iii) The short-term bank deposits earn 0.45% interest per annum. They have a maturity of one month.



### 13. TRADE AND OTHER PAYABLES

	As at 31 October 2017 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 30 April 2017 <i>HK\$'000</i> <i>(Audited)</i>
Trade payables	7,509	8,322
Retention payables	3,713	2,292
Accruals and other payables	1,848	2,046
	<u>13,070</u>	<u>12,660</u>

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

	As at 31 October 2017 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 30 April 2017 <i>HK\$'000</i> <i>(Audited)</i>
0-30 days	<u>7,509</u>	<u>8,322</u>

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

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

### 14. SHARE CAPITAL

	Number of shares	HK\$
<b>Authorised</b>		
Ordinary shares of HK\$0.01 each as at 30 April 2017 and 31 October 2017	<u>2,000,000,000</u>	<u>20,000,000</u>
<b>Issued and fully paid:</b>		
As at 30 April 2017 and 31 October 2017	<u>800,000,000</u>	<u>8,000,000</u>

## 15. OPERATING LEASE COMMITMENTS

At 31 October 2017 and 30 April 2017, the total future minimum lease payments payable by the Group under non-cancellable operating leases in respect of premises are as follows:

	<b>As at 31 October 2017 <i>HK\$000</i> (Unaudited)</b>	<b>As at 30 April 2017 <i>HK\$000</i> (Audited)</b>
Within one year	<b>36</b>	<b>254</b>

The leases typically runs for an initial period of one year. The lease does not include contingent rentals.

## 16. CAPITAL COMMITMENTS

At 31 October 2017 and 30 April 2017, capital commitments of the Group are as follows:

	<b>As at 31 October 2017 <i>HK\$000</i> (Unaudited)</b>	<b>As at 30 April 2017 <i>HK\$000</i> (Audited)</b>
Contracted but not provided for – Plant and equipment	<b>1,552</b>	<b>610</b>

## 17. RELATED PARTY TRANSACTION

### (a) Key management personnel remuneration

The emoluments of the directors and senior management of the Company, who represent the key management personnel during the six months ended 31 October 2017 and 2016 as follows:

	<b>For the six months ended 31 October 2017 <i>HK\$000</i> (Unaudited)</b>	<b>2016 <i>HK\$000</i> (Unaudited)</b>
Salaries, fee and allowances	<b>1,843</b>	1,242
Discretionary bonuses	<b>80</b>	120
Retirement scheme contributions	<b>51</b>	51
	<b>1,974</b>	1,413

## **17. RELATED PARTY TRANSACTION (CONTINUED)**

### **(b) Balance with related party**

The detail of the balance with ultimate holding company is disclosed in Note 10(iii) to the unaudited condensed consolidated financial statements. The maximum outstanding balance during the six months ended 31 October 2017 is approximately HK\$19,000 (2016: HK\$19,000).

## **18. CONTINGENT LIABILITIES**

The Group had no significant contingent liabilities as at 31 October 2017 (30 April 2017: nil).