



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

2021
FIRST QUARTERLY 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. Lo Chi Yung
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. Lo Chi Yung
Ms. Li Yixuan

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Lo Chi Yung (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

Unit 1104A, 11/F,
Kai Tak Commercial Building,
No. 317-319 Des Voeux Road Central
Hong Kong

FINANCIAL HIGHLIGHTS

Revenue amounted to approximately HK\$15.5 million for the three months ended 31 July 2021 (the “Reporting Period”) (2020: approximately HK\$41.0 million), representing an decrease of approximately 62.1% as compared with the corresponding period of last year.

Loss attributable to the equity holders of the Company for the three months ended 31 July 2021 amounted to approximately HK\$1.0 million (2020: loss attributable to the equity holders of approximately HK\$1.3 million), representing a decrease of approximately 20% as compared with the corresponding period of last year.

Basic and diluted loss per share amounted to approximately HK0.44 cents for the three months ended 31 July 2021 (2020: basic and diluted loss per share of approximately HK0.78 cents).

The Board of Directors (the “Board”) does not recommend the payment of interim dividend for the three months ended 31 July 2021 (2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Company, together with its subsidiaries (the “Group”) is principally engaged in construction business mainly site formation works and renovation works in Hong Kong. Site formation works generally include 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.

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 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 or investment.

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 works generally refer to piling work, landslip preventive and remedial works for improving or maintaining the stability of slopes and/or retaining walls. Renovation works refer to the fitting our work for premises in Hong Kong.

The Group’s revenue decreased by approximately HK\$25.5 million or approximately 62.1% from approximately HK\$41.0 million for the three months ended 31 July 2020 to approximately HK\$15.5 million for the three months ended 31 July 2021. The decrease in revenue was mainly due to decrease in works performed from site formation works in Hong Kong for the three months ended 31 July 2021.

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\$56,000 or approximately 8.4% from approximately HK\$0.7 million for the three months ended 31 July 2020 to approximately HK\$0.6 million for the three months ended 31 July 2021 and the Group's gross profit margin increased from approximately 1.7% for the three months ended 31 July 2020 to 3.9% for the three months ended 31 July 2021. The decrease in gross profit was mainly due to the decrease of revenue and the increase in gross profit margin was mainly due to more revenue contribution from contracts with higher margin.

The Group's direct costs decreased by approximately HK\$25.4 million or approximately 63.0% from approximately HK\$40.3 million for the three months ended 31 July 2020 to approximately HK\$14.9 million for the three months ended 31 July 2021. The decrease in direct costs are mainly due to the decrease in revenue and thus, decrease in labour cost and subcontracting charges from those projects for the three months ended 31 July 2021.

Administrative Expenses

The Group's administrative expenses decreased by approximately HK\$1.4 million or approximately 52.1% from approximately HK\$2.7 million for the three months ended 31 July 2020 to approximately HK\$1.3 million for the three months ended 31 July 2021. 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 a decrease in administrative staff cost and professional fees for the three months ended 31 July 2021.

Other Income and other gains or losses

The Group's other income and other gains or losses amounted to losses of approximately HK\$0.3 million for the three months ended 31 July 2021 (2020: gain of approximately HK\$0.9 million). It was mainly attributable to the decrease of government subsidy granted of HK\$0.7 million for the three months ended 31 July 2021.

Net loss

Net loss amounted to approximately HK\$1.0 million for the three months ended 31 July 2021 as compared to a net loss of approximately HK\$1.3 million for three months ended 31 July 2020. Such decrease in net loss was primarily attributable to the decrease in gross profit, staff costs and professional fees for the three months ended 31 July 2021 as discussed above.

OTHER INFORMATION

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

As at 31 July 2021, 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 share capital of the Company
Ms. Tsui Tsz Fa Mabel			
– Unlisted share options	3,200,000	3,200,000	1.39%
Ms. Liu Tanying			
– Unlisted share options	3,200,000	3,200,000	1.39%
Mr. Lau Wang Lap			
– Unlisted share options	1,600,000	1,600,000	0.69%
Ms. Li Yixuan			
– Unlisted share options	1,600,000	1,600,000	0.69%

Save as disclosed above, none of the Directors nor chief executive of the Company has registered an interest or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 July 2021, 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.

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 three months ended 31 July 2021.

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

During the three months ended 31 July 2021 and up to the date of this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

During the three months ended 31 July 2021 and up to the date of this report, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules save for the deviation from code provision A.2.1 explained below. 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 the Group and will provide strong and consistent leadership to the Group. In addition, due to the presence of three independent non-executive Directors which represent more than half of the Board, the Board considers that there is a balance of power and authority such that no one individual has unfettered power of decision. Accordingly, the Company has not segregated the roles of its chairman and chief executive officer as required by Code Provision A.2.1 of Appendix 15 to the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of conduct regarding securities transactions by the Directors (the "Code of Conduct") on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the three months ended 31 July 2021 and up to the date of this report.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 July 2021 (2020: 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.

Details of the options outstanding for the three months ended 31 July 2021 are as follows:

Grantees	No. of shares comprised in options				As at 31 July 2021
	As at 1 May 2021	Granted during the period	Exercised during the period	Lapsed during the period	
Executive director					
Ms. Tsui Tsz Fa Mabel	3,200,000	–	–	–	3,200,000
Ms. Liu Tanying	3,200,000	–	–	–	3,200,000
Mr. Lau Wang Lap	1,600,000	–	–	–	1,600,000
Ms. Li Yixuan	1,600,000	–	–	–	1,600,000
Other Grantees (Note 1)	<u>32,000,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>32,000,000</u>
Total	<u>41,600,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>41,600,000</u>

Note 1: The share options have been granted to 2 employees on 30 May 2019 and each of them had 1,600,000 share options.

The share options have been granted to 6 employees on 30 September 2020 and each of them hold 1,600,000 share options.

The share options have been granted to 10 employees on 8 April 2021 and each of them hold 1,920,000 share options.

Note 2: The exercise price of the options and the closing price of the Company's share immediately before the date of grant of share options on 30 May 2019, 30 September 2020 and 8 April 2021 were HK\$0.366, HK\$0.1, HK\$0.7 and HK\$0.35, HK\$0.12, HK\$0.7 respectively.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 26 September 2016 with written terms of reference in compliance with the GEM Listing Rules which are available on the websites of the Stock Exchange and the Company. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Lau Wang Lap, Ms. Li Yixuan and Mr. Lo Chi Yung. The chairman of the Audit Committee is Mr. Lau Wang Lap, 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 2021 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

Tsui Tsz Fa Mabel

Chairman and executive Director

Hong Kong, 14 September 2021

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

FOR THE THREE MONTHS ENDED 31 JULY 2021

		For the three months ended 31 July	
Notes	2021 HK\$'000 <i>(Unaudited)</i>	2020 HK\$'000 <i>(Unaudited)</i>	
Revenue	3	15,518	40,972
Direct costs		<u>(14,908)</u>	<u>(40,306)</u>
Gross profit		610	666
Other income and other gains or losses	4	(269)	861
Administrative expense		(1,279)	(2,671)
Finance cost	6	<u>(66)</u>	<u>(73)</u>
Loss before income tax	5	(1,004)	(1,217)
Income tax expense	7	<u>–</u>	<u>(38)</u>
Loss and total comprehensive expense for the period attributable to equity holders of the Company		<u><u>(1,004)</u></u>	<u><u>(1,255)</u></u>
		HK cents	HK cents
Loss per share attributable to equity holders of the Company			
Basic and diluted	9	<u><u>(0.44)</u></u>	<u><u>(0.78)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED 31 JULY 2021

	Total equity attributable to equity holders of the Company					
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (Note)	Share option reserve HK\$'000 (Note)	Retained earnings HK\$'000	Total HK\$'000
Balance as at 1 May 2020	8,000	54,718	10,101	753	37,105	110,677
Loss and total comprehensive expenses for the period	—	—	—	—	(1,255)	(1,255)
Balance as at 31 July 2020 (unaudited)	<u>8,000</u>	<u>54,718</u>	<u>10,101</u>	<u>753</u>	<u>35,850</u>	<u>109,422</u>
Balance as at 1 May 2021	11,520	61,052	10,101	9,357	25,539	117,569
Loss and total comprehensive expenses for the period	—	—	—	—	(1,004)	(1,004)
Balance as at 31 July 2021 (unaudited)	<u>11,520</u>	<u>61,052</u>	<u>10,101</u>	<u>9,357</u>	<u>24,535</u>	<u>116,565</u>

Note: Capital reserve 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 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 Unit 1104A, 11/F, Kai Tak Commercial Building, No 317-319 Des Voeux Road Central, Hong Kong respectively.

The Company is an investment holding company. The Group is principally engaged in undertaking site formation works and renovation work in Hong Kong and investment holding.

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 July 2021 has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standard, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

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

The unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 30 April 2021.

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 of the Group are consistent with those used in the audited annual consolidated financial statements of the Group for the year ended 30 April 2021, 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 2021. 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.

3. REVENUE AND SEGMENT INFORMATION

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

	For the three months ended 31 July	
	2021 HK\$'000 <i>(Unaudited)</i>	2020 HK\$'000 <i>(Unaudited)</i>
Contract revenue	<u>15,518</u>	<u>40,972</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 and renovation construction services 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	
	2021 HK\$'000 <i>(Unaudited)</i>	2020 HK\$'000 <i>(Unaudited)</i>
Customer B	N/A ^(Note)	23,052
Customer C	3,034	N/A ^(Note)
Customer D	10,937	11,560
Customer E	<u>1,547</u>	<u>6,180</u>

Note: The corresponding revenue did not individually contribute over 10% of the Group's revenue for the period ended 31 July 2020.

4. OTHER INCOME AND OTHER GAINS OR LOSSES

	For the three months ended 31 July	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Gain on disposal of plant and equipment	–	161
Government subsidy	–	700
Sundry income	17	–
Fair value change of financial assets at fair value through profit and loss	(286)	–
	<u>(269)</u>	<u>861</u>

5. LOSS BEFORE INCOME TAX

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

	For the three months ended 31 July	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
(a) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	537	3,835
Contributions to defined contribution retirement plans	11	80
	<u>548</u>	<u>3,915</u>
(b) Other items		
Depreciation of plant and equipment	33	339
Depreciation of right-of-use assets	–	181
Gain on disposal of plant and equipment	–	(161)
Expenses related to short term leases	25	63
Subcontracting charges (included in direct costs)	14,908	37,121
	<u>14,908</u>	<u>37,121</u>

6. FINANCE COST

	For the three months ended 31 July	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Bank overdraft interest	–	3
Interest on lease liabilities	–	4
Interest on other borrowings	66	66
	<u>66</u>	<u>73</u>

7. INCOME TAX EXPENSE

	For the three months ended 31 July	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current tax		
– Hong Kong Profits Tax	–	38

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%.

8. DIVIDEND

The Board do not recommend the payment of an interim dividend for the three months ended 31 July 2021 (2020: nil).

9. LOSS PER SHARE

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

	For the three months ended 31 July	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Loss		
Loss for the period attributable to equity holders of the Company	(1,004)	(1,255)
Number of shares		
Weighted average number of ordinary shares (in thousands)	230,400	160,000

There were no dilutive potential ordinary shares during the three months ended 31 July 2021 and 2020 and therefore, diluted earnings per share equals to basic earnings per share.