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TAI KAM HOLDINGS LIMITED

泰錦控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8321)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 30 APRIL 2021**

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

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.

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 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 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\$137.8 million for the year ended 30 April 2021 (2020: approximately HK\$193.0 million), representing a decrease of approximately 28.6% as compared with that of the year ended 30 April 2020.

Net loss for the year ended 30 April 2021 amounted to approximately HK\$11.6 million (2020: Net loss of approximately HK\$3.9 million). Such decrease in net profit was primarily attributable to the increase in administrative expenses recognised and decrease on the gross profit for year ended 30 April 2021.

Basic and diluted loss per share amounted to approximately HK5.84 cents for the year ended 30 April 2021 (2020: basic and diluted loss per share of approximately HK2.45 cents).

The Board does not recommend a payment of a final dividend for the year ended 30 April 2021 (2020: Nil).

ANNUAL RESULTS FOR THE YEAR ENDED 30 APRIL 2021

The board of Directors of the Company (the “Board”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30 April 2021 together with the comparative figures for the year ended 30 April 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 APRIL 2021

| | <i>Notes</i> | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| Revenue | 4 | 137,781 | 192,981 |
| Direct costs | | <u>(133,665)</u> | <u>(182,112)</u> |
| Gross profit | | 4,116 | 10,869 |
| Other income and other gains or losses | 6 | 3,688 | (2,064) |
| Administrative expenses | | <u>(19,360)</u> | <u>(12,149)</u> |
| Loss from operation | | (11,556) | (3,344) |
| Finance costs | 7(a) | <u>(277)</u> | <u>(308)</u> |
| Loss before tax | 7 | (11,833) | (3,652) |
| Income tax credit/(expense) | 8 | <u>267</u> | <u>(266)</u> |
| Loss and total comprehensive expense for the year attributable to owners of the Company | | <u>(11,566)</u> | <u>(3,918)</u> |
| | | <i>HK cents</i> | <i>HK cents</i> |
| Loss per share attributable to owners of the Company | | | |
| Basic and diluted | 10 | <u>(5.84)</u> | <u>(2.45)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2021

| | <i>Notes</i> | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Plant and equipment | | 130 | 3,274 |
| Right-of-use assets | | – | 644 |
| | | <u>130</u> | <u>3,918</u> |
| Current assets | | | |
| Financial assets at fair value through profit or loss | | 10,458 | – |
| Trade and other receivables | <i>11</i> | 115,869 | 113,769 |
| Contract assets | <i>12</i> | 13,103 | 23,942 |
| Prepaid tax | | 12 | – |
| Cash and bank balances | | 16,556 | 28,858 |
| | | <u>155,998</u> | <u>166,569</u> |
| Current liabilities | | | |
| Trade and other payables | <i>13</i> | 38,402 | 56,534 |
| Lease liabilities | | – | 581 |
| Tax payables | | 95 | 2,310 |
| | | <u>38,497</u> | <u>59,425</u> |
| Net current assets | | <u>117,501</u> | 107,144 |
| Total assets less current liabilities | | <u>117,631</u> | 111,062 |
| Non-current liabilities | | | |
| Lease liabilities | | – | 77 |
| Deferred tax liabilities | | 62 | 308 |
| | | <u>62</u> | <u>385</u> |
| Net assets | | <u>117,569</u> | 110,677 |
| EQUITY | | | |
| Share capital | <i>14</i> | 11,520 | 8,000 |
| Reserves | | 106,049 | 102,677 |
| Total equity attributable to owners of the Company | | <u>117,569</u> | 110,677 |

NOTES

FOR THE YEAR ENDED 30 APRIL 2021

1. GENERAL INFORMATION

Tai Kam Holdings Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 1 April 2016. The address of its registered office and principal place of business are Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and 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 and its subsidiaries (collectively referred to as the “Group”) are principally engaged in undertaking site formation works and renovation work in Hong Kong and investment holding.

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

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period as explained in the accounting policies set out below.

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

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

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

Amendments to HKFRSs that are mandatorily effective for current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 May 2020 for the preparation of the consolidated financial statements:

| | |
|--|--------------------------------|
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

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

| | |
|--|---|
| HKFRS 17 | Insurance Contracts and the related Amendments ¹ |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018 – 2020 ² |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework ² |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 ⁵ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |
| Amendments to HKFRS 16 | Covid-19-Related Rent Concessions ⁴ |
| Amendments to HKFRS 16 | Covid-19-Related Rent Concessions beyond 30 June 2021 ⁶ |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹ |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ¹ |
| Amendments to HKAS 8 | Definition of Accounting Estimates ¹ |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹ |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use ² |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract ² |

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

⁶ Effective for annual periods beginning on or after 1 April 2021.

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

4. REVENUE

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

Revenue from contracts with customers which recognised as over time are as follows:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|------------------|-------------------------|-------------------------|
| Contract revenue | <u>137,781</u> | <u>192,981</u> |

As at 30 April 2021, the aggregated amount of revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period is HK\$130,209,000 (2020: HK\$99,933,000). The Group applies the practical expedient in paragraph 121 of HKFRS 15 and does not disclose the amount of the transaction price allocated to the remaining performance obligations for contracts with an original expected duration of one year or less. In addition, contracts that include a promise to perform an undefined quantity of tasks at a fixed contractual rate per unit, with no contractual minimums that would make some or all of the consideration fixed, are not included as the possible transaction prices and the ultimate consideration for those contracts will depend on the occurrence or non-occurrence of future customer usage. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur within 12 months (2020: 12 months). This analysis is solely for compliance with HKFRS 15 disclosure requirement in respect of transaction price allocated to the remaining performance obligations.

5. SEGMENT INFORMATION

The CODM has been identified as the executive directors. The CODM regards the Group's business of undertaking site formation works in Hong Kong as main contractor and renovation construction services as a single operating segment and reviews the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis information is presented.

(a) Geographical information

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

(b) Major customers

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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|----------------------------|-------------------------|-------------------------|
| Customer A | 89,051 | 81,426 |
| Customer B | 13,747 | 58,453 |
| Customer C (<i>Note</i>) | N/A | 23,689 |
| Customer D (<i>Note</i>) | <u>24,780</u> | <u>N/A</u> |

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

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

6. OTHER INCOME AND OTHER GAINS OR LOSSES

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Other income | | |
| Government grants | 1,372 | – |
| Sundry income | 59 | 50 |
| | <u>1,431</u> | <u>50</u> |
| Other gains or losses | | |
| Gain on disposal of plant and equipment | 647 | – |
| Realised gain arising on disposal of financial assets at fair value through profit or loss | 183 | – |
| Unrealised gain arising on change in fair value of financial assets at fair value through profit or loss | 3,254 | – |
| Impairment loss recognised under expected credit loss model, net of reversal: | | |
| – trade receivables | (1,848) | (2,058) |
| – contract assets | 21 | (56) |
| | <u>2,257</u> | <u>(2,114)</u> |
| | <u><u>3,688</u></u> | <u><u>(2,064)</u></u> |

During the year ended 30 April 2021, the Group recognised government grants of HK\$1,372,000 in respect of Covid-19-related subsidies which relates to Employment Support Scheme provided by the Government of Hong Kong Special Administrative Region (the “Government”) as a support. There were no unfulfilled conditions or contingencies relating to these government grants.

7. LOSS BEFORE TAX

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Loss before tax is stated after charging/(crediting): | | |
| (a) Finance costs | | |
| Interest on lease liabilities | 13 | 48 |
| Interest on amount due to a related company of former directors | 260 | 260 |
| Interest on bank overdraft | 4 | – |
| | <u>277</u> | <u>308</u> |
| (b) Staff costs (including directors' emoluments) | | |
| Salaries, wages and other benefits | 13,137 | 18,368 |
| Share option expenses | 8,604 | 753 |
| Retirement benefit scheme contributions | 268 | 469 |
| | <u>22,009</u> | <u>19,590</u> |
| (c) Other items | | |
| Auditor's remuneration | 403 | 400 |
| Depreciation of plant and equipment | 1,238 | 1,581 |
| Depreciation of right-of-use assets | 546 | 798 |
| Loss on written off of plant and equipment | 1,317 | 167 |
| Loss on early termination of lease | 16 | – |
| (Gain)/loss on disposal of plant and equipment | (647) | 59 |
| Expenses related to short term leases | 185 | 176 |
| Subcontracting charges (included in direct costs) | 122,593 | 164,311 |

8. INCOME TAX (CREDIT)/EXPENSES

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%.

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|------------------------------------|-------------------------|-------------------------|
| Current tax | | |
| Hong Kong Profits Tax | | |
| – Current year | 9 | 536 |
| – Over-provision in prior years | (30) | (54) |
| | <u>(21)</u> | <u>482</u> |
| Deferred tax credit | (246) | (216) |
| | <u>(267)</u> | <u>266</u> |
| Income tax (credit)/expense | (267) | 266 |

9. DIVIDENDS

No dividend was declared or paid by the Company to its shareholders during the year (2020: Nil), nor has any dividend been declared since the end of the reporting period (2020: Nil).

10. LOSS PER SHARE

The calculation of loss per share attributable to owners of the Company is based on the following:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Loss | | |
| Loss for the year attributable to owners of the Company | <u>(11,566)</u> | <u>(3,918)</u> |

| | 2021 <i>'000</i> | 2020 <i>'000</i> |
|---|---------------------|---------------------|
| Number of shares | | |
| Weighted average number of shares for the purpose of basis and diluted loss per share | <u>198,137</u> | <u>160,000</u> |

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

The computation of diluted loss per share for both years do not assume the exercise of the Company's outstanding share options had an anti-dilutive effect to the basic loss per share.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Listed securities classified as held for trading investments: | | |
| – Equity securities listed in Hong Kong | <u>10,458</u> | <u>–</u> |

At the end of the reporting period, all financial assets at FVTPL are stated at fair values. Fair values of listed securities classified as held for trading investments are determined with reference to quoted market closing prices.

12. TRADE AND OTHER RECEIVABLES

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Trade receivables from contracts with customers (net of allowance for credit losses) <i>(note (a))</i> | 82,379 | 73,223 |
| Surety bonds <i>(note (b))</i> | 22,500 | 4,500 |
| Other receivables and deposits | 327 | 515 |
| Prepayment <i>(note (c))</i> | 10,663 | 35,531 |
| | <u>115,869</u> | <u>113,769</u> |

Notes:

(a) Trade receivables from contracts with customers

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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| 0 – 90 days | 35,004 | 11,136 |
| 91 – 180 days | – | 6,622 |
| 181 – 365 days | 5,391 | 52,704 |
| Over 365 days | 41,984 | 2,761 |
| | <u>82,379</u> | <u>73,223</u> |

As at 1 May 2019, trade receivables from contracts with customers amounted to approximately HK\$13,996,000.

The Group did not hold any collateral as security or other credit enhancements over the trade receivables.

Trade receivables with carrying amounts of approximately HK\$47,375,000 (2020: HK\$63,191,000) are past due at the end of the reporting period. Out of the past due balances, HK\$47,375,000 (2020: HK\$6,419,000) (net of allowance for credit loss) has been past due 180 days or more and is not considered as in default because of no recent history of default and the directors are in opinion of these balances are still considered as collectible.

(b) Surety bonds

A customer of construction contract undertaken by the Group required the group entity to issue guarantee for the performance of contract work in the form of surety bond. The surety bonds are released when the construction contract is completed or substantially completed. As at 30 April 2021, the Group had an outstanding surety bond of HK\$22,500,000 (2020: HK\$4,500,000).

(c) **Prepayment**

During the year ended 30 April 2021, an aggregate amount of approximately HK\$10,505,000 (2020: HK\$35,000,000) paid to sub-contractors for a construction contract. The prepayment is expected to be recognised as expenses within one year.

13. TRADE AND OTHER PAYABLES

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Trade payables (<i>note (a)</i>) | 21,091 | 35,657 |
| Retention payables | 2,325 | 5,397 |
| Accruals and other payables | 1,254 | 2,026 |
| Amount due to a related company of former directors (<i>note (b)</i>) | 13,732 | 13,454 |
| | <hr/> 38,402 <hr/> | <hr/> 56,534 <hr/> |

As at 30 April 2021 and 2020, no retention payables expected to be settled after more than one year. All of the other trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

Notes:

(a) **Trade payables**

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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--------------|--------------------------------|-------------------------|
| 0 – 30 days | 16,116 | 34,144 |
| 31 – 60 days | – | – |
| 61 – 90 days | – | – |
| Over 90 days | 4,975 | 1,513 |
| | <hr/> 21,091 <hr/> | <hr/> 35,657 <hr/> |

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

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

14. SHARE CAPITAL

| | Number of shares | | Amount | |
|---|--------------------|--------------|------------------|------------------|
| | 2021 '000 | 2020 '000 | 2021 HK\$'000 | 2020 HK\$'000 |
| Authorised: | | | | |
| Ordinary shares of HK\$0.05 each (2020: HK\$0.01 each) | | | | |
| As at 1 May | 2,000,000 | 2,000,000 | 20,000 | 20,000 |
| Share consolidation (<i>note a</i>) | (1,600,000) | – | – | – |
| As at 30 April | 400,000 | 2,000,000 | 20,000 | 20,000 |
| Issued and fully paid: | | | | |
| As at 1 May | 800,000 | 800,000 | 8,000 | 8,000 |
| Share consolidation (<i>note a</i>) | (640,000) | – | – | – |
| Placing of new shares (<i>note b</i>) | 70,400 | – | 3,520 | – |
| As at 30 April | 230,400 | 800,000 | 11,520 | 8,000 |

Notes:

- (a) Pursuant to an ordinary resolution passed by shareholders at the special general meeting held on 13 July 2020, the share consolidation of every five issued and unissued shares of HK\$0.01 each into one consolidated share of HK\$0.05 each became effective on 15 July 2020.
- (b) (i) On 30 September 2020, the Company allotted and issued an aggregate 32,000,000 new shares at a placing price of HK\$0.105 per placing share. The net proceeds of approximately HK\$3,267,000 were intended to be used for general working capital of the Group and improve the financial position of the Group.
- (ii) On 24 February 2021, the Company allotted and issued an aggregate 38,400,000 new shares at a placing price of HK\$0.175 per placing share. The net proceeds of approximately HK\$6,587,000 were intended to be used for general working capital of the Group and improve the financial position of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Company, together with its subsidiaries (the “Group”) is principally engaged in construction business mainly site formation works and renovation works in Hong Kong. Site formation works generally include piling works, landslip preventive and remedial works for improving or maintaining the stability of slopes and/or retaining walls. Renovation works refer to the fitting out work for premises in Hong Kong.

Tai Kam Construction Engineering Company Limited (“Tai Kam Construction”), one of 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. However, the Group has been facing increasing costs of operation, including cost of direct labour and subcontracting charges as well as keen competition in the market, also the outbreak of coronavirus would 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 generally refer to piling works, landslip preventive and remedial works for improving or maintaining the stability of slopes and/or retaining walls. Renovation works refer to the fitting out work for business for premises in Hong Kong.

The Group’s revenue decreased by approximately HK\$55.2 million, or approximately 28.6%, from approximately HK\$193.0 million for the year ended 30 April 2020 to approximately HK\$137.8 million for the Reporting Period. The decrease in revenue was mainly due to decrease in works performed from renovation works for the Reporting Period.

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\$6.8 million, or approximately 62.1%, from approximately HK\$10.9 million for the year ended 30 April 2020 to approximately HK\$4.1 million for the Reporting Period. The Group's gross profit margin decreased from approximately 5.6% for the year ended 30 April 2020 to approximately 3.0% for the Reporting Period. The decrease in gross profit margin was mainly due to decrease in revenue for the Reporting Period and more revenue contribution from contracts with lower margin undertaking by increasing cost of use of subcontractors and labourers as affected by the outbreak of coronavirus.

The Group's direct costs decreased by approximately HK\$48.4 million, or approximately 26.6%, from approximately HK\$182.1 million for the year ended 30 April 2020 to approximately HK\$133.7 million for the Reporting Period. The decrease of direct costs is mainly due to the decrease in subcontracting charges and labour cost from those projects with substantial use of subcontractors and labours for the Reporting Period.

Administrative expenses

The Group's administrative expenses increased by approximately HK\$7.2 million, or approximately 59.4%, from approximately HK\$12.1 million for the year ended 30 April 2020 to approximately HK\$19.4 million for the Reporting Period. Administrative expenses consist primarily of staff costs, professional fees, depreciation, rental expenses, provision of impairment and other administrative expenses. The increase in the Group's administrative expenses was mainly due to the recognition of share-based payment of approximately HK\$8.6 million for the Reporting Period.

Other income and other gains or losses

The Group's other income increased from HK\$50,000 for the year ended 30 April 2020 to approximately HK\$1.4 million for the Reporting Period. It is mainly attributable to the increase of government grant of approximately HK\$1.4 million for the Reporting Period. The Group's other gains or losses increased by approximately HK\$4.4 million, it was mainly due to the gain arising from change in fair value of financial assets at fair value through profit or loss of approximately HK\$3.4 million and gain on disposal of plant and equipment of approximately HK\$0.6 million.

Net Profit/Loss

The net loss amounted to approximately HK\$11.6 million for the Reporting Period as compared to the net loss of approximately HK\$3.9 million for year ended 30 April 2020. Such decrease in net profit was primarily attributable to the increase in administrative expenses for the Reporting Period as discussed above and the decrease on the gross profit for the Reporting Period.

Final Dividend

The Board did not recommend a payment of a final dividend for the Reporting Period (2020: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 April 2021, the Group's total equity attributable to owners of the Company amounted to approximately HK\$117.5 million (2020: approximately HK\$110.7 million).

As at 30 April 2021, the Group had cash and bank balances of approximately HK\$16.6 million (2020: approximately HK\$28.9 million). Cash and bank balances are denominated in Hong Kong Dollars. The decrease was mainly due to the cash used in operations.

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

PLEDGE OF ASSETS

There was no pledge of assets as at 30 April 2021 (2020: Nil).

CASH POSITION

As at 30 April 2021, the cash and bank balances of the Group amounted to approximately HK\$16.6 million (2020: approximately HK\$28.9 million), representing a decrease of approximately HK\$12.3 million as compared to that as at 30 April 2020.

GEARING RATIO

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

As at 30 April 2021 and as at 30 April 2020, the Group's gearing ratio was 11.7% and 12.7% respectively.

TREASURY POLICY

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

FOREIGN EXCHANGE EXPOSURE

The Group's business operations have been conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group are mainly denominated in Hong Kong Dollars. For the Reporting Period and for the year ended 30 April 2020, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates between the currencies.

The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the Reporting Period (2020: Nil).

CAPITAL COMMITMENTS

As at 30 April 2021, the Group had no material capital commitments (2020: Nil).

CONTINGENT LIABILITIES

There were no significant contingent liabilities of the Group as at 30 April 2021 (2020: Nil).

CAPITAL STRUCTURE

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

During the Reporting Period, (i) the Company implemented the share consolidation of every five shares into one consolidated share (the "Share Consolidation"), and the Share Consolidation were completed on 15 July 2020; (ii) on 30 September 2020, 32,000,000 placing shares of the Company have been successfully placed by the placing agent; and (iii) on 24 February 2021, 38,400,000 placing shares of the Company have been successfully placed by the placing agent. For details, please refer to the Company's announcement dated 30 September 2020 and 24 February 2021.

As at 30 April 2021, the Company's issued capital was HK\$11,520,000 and the number of its issued ordinary shares was 230,400,000 of HK\$0.05 each.

EMPLOYEES AND REMUNERATION POLICY

The Group had 25 employees (including executive Directors) as at 30 April 2021 (2020: 42 employees). Total staff costs (including Directors' emoluments) were approximately HK\$22.1 million for the Reporting Period as compared to approximately HK\$19.6 million for the year ended 30 April 2020. The remuneration policy and package of the Group's employees were annually reviewed and when necessary. The salaries increment, grant of share options and discretionary bonuses may be awarded to employees according to Group's performance as well as the assessment of individual performance.

SIGNIFICANT INVESTMENTS

Since there was no held-for-trading investments and other investments held by the Group valued more than 5% of the total assets of the Group as at 30 April 2021, there were no significant investments held by the Group. Details of the held-for-trading investments held by the Group and the fair value changes of the held-for-trading investments for the year are set out in note 11 to this announcement.

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

The Group did not have any acquisitions or disposals of subsidiaries and affiliated companies during the Reporting Period and the Group did not have other plans for material investments or capital assets.

CORPORATE GOVERNANCE CODE

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

Under the code provision A.2.1 of the CG Code, the role of chairman and chief executive should be separate and should not be performed by the same individual and the division of responsibilities between the chairman and chief executive should be clearly established. Ever since the Company appointed Ms. Tsui as chairman and chief executive officer, the roles of the chairman and chief executive officer have not been separated for performance by two different individuals.

The Board believes that the vesting of the roles of chairman and chief executive officer in Ms. Tsui is beneficial to the business operations and management of Group and will provide strong and consistent leadership to the Group. In addition, due to the presence of three independent non-executive Directors (“INEDs”) which represent more than half of the Board, the Board considers that there is a balance of power and authority such that no one individual has unfettered power of decision. Accordingly, the Company has not segregated the roles of its chairman and chief executive officer as required by code provision A.2.1 of the CG Code.

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

COMPETING INTEREST

Our Directors and their respective close associates confirm that each of them does not have any interest in a business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business, and is required to be disclosed pursuant to Rule 11.04 of the GEM Listing Rules during the Reporting Period.

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

During the Reporting Period 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.

PERMITTED INDEMNITY

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

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

SHARE OPTION SCHEME

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

Details of the options outstanding for the year ended 30 April 2021 are as follows:

| Grantees | No. of shares comprised in options | | | | | Date of grant during the period | Exercise price per share |
|---------------------------|------------------------------------|---------------------------|-----------------------------|--------------------------|---------------------|---------------------------------|--------------------------|
| | As at 1 May 2020 (ii) | Granted during the period | Exercised during the period | Lapsed during the period | As at 30 April 2021 | | |
| Executive director | | | | | | | |
| Ms. Tsui Tsz Fa Mabel | 1,600,000 | 1,600,000 | – | – | 3,200,000 | 30 September 2020 | HK\$0.12 |
| Ms. Liu Tanying | 1,600,000 | 1,600,000 | – | – | 3,200,000 | 30 September 2020 | HK\$0.12 |
| Mr. Lau Wang Lap | – | 1,600,000 | – | – | 1,600,000 | 30 September 2020 | HK\$0.12 |
| Ms. Li Yixuan | – | 1,600,000 | – | – | 1,600,000 | 30 September 2020 | HK\$0.12 |
| Other Grantees (i) | | | | | | | |
| | 3,200,000 | 9,600,000 | – | – | 12,800,000 | 30 September 2020 | HK\$0.12 |
| | – | 19,200,000 | – | – | 19,200,000 | 8 April 2021 | HK\$0.7 |
| Total | <u>6,400,000</u> | <u>35,200,000</u> | <u>–</u> | <u>–</u> | <u>41,600,000</u> | | |

Note:

- (i) 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.

- (ii) The date of grant of the outstanding share options as at 1 May 2020 was on 30 May 2019 and the exercise price per share is HK\$0.366.

- (iii) The closing price of the Company’s share immediately before the date of grant of share options on 30 September 2020 and 8 April 2021 was HK\$0.12 and HK\$0.7 respectively.

PRE-EMPTIVE RIGHTS

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

EVENTS AFTER REPORTING PERIOD

Save as disclosed, up to the date of this announcement, there was no significant event after the Reporting Period of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

PUBLIC FLOAT

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

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the preliminary announcement of the Group’s results for the Reporting Period have been agreed by the Company’s auditor, Elite Partners CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the Reporting Period. The work performed by Elite Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Elite Partners CPA Limited on this preliminary announcement.

AUDIT COMMITTEE

The Company established the audit committee (“Audit Committee”) 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 has reviewed the annual results in respect of the Reporting Period, and confirmed that this announcement complies with the applicable standard, the GEM Listing Rules, and other applicable legal requirements and that adequate disclosures have been made.

By order of the Board
Tai Kam Holdings Limited
Tsui Tsz Fa Mabel
Chairman and executive Director

Hong Kong, 30 July 2021

As at the date of this announcement, the executive Directors are Ms. Tsui Tsz Fa Mabel (Chairman) and Ms. Liu Tanying; and the independent non-executive Directors are Mr. Lau Wang Lap, Mr. Lo Chi Yung and Ms. Li Yixuan.

This announcement will remain on the “Latest Company Announcements” page of the Stock Exchange’s website at 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.