



泰錦 **Tai Kam Holdings Limited**
泰錦控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8321

2020
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. Yim Kin Ping
Ms. Li Yixuan
Mr. Lau Wang Lap

COMPLIANCE OFFICER

Ms. Tsui Tsz Fa Mabel

AUTHORISED REPRESENTATIVES

Mr. Hui Chi Kong
Ms. Tsui Tsz Fa Mabel

AUDIT COMMITTEE

Mr. Lau Wang Lap (Chairman)
Mr. Yim Kin Ping
Ms. Li Yixuan

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Yim Kin Ping (Chairman)
Ms. Tsui Tsz Fa Mabel
Mr. Lau Wang Lap

COMPANY SECRETARY

Mr. Hui Chi Kong

AUDITOR

Elite Partners CPA Limited

PRINCIPAL BANKER

Bank of Communications Co., Ltd

REGISTERED OFFICE

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

FINANCIAL HIGHLIGHTS

Revenue amounted to approximately HK\$41.0 million for the three months ended 31 July 2020 (the “Reporting Period”) (2019: approximately HK\$44.9 million), representing a decrease of approximately 8.7% 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 2020 amounted to approximately HK\$1.3 million (2019: profit attributable to the equity holders of approximately HK\$0.6 million), representing a decrease of approximately 316.7% as compared with the corresponding period of last year.

Basic and diluted loss per share amounted to approximately HK0.78 cents for the three months ended 31 July 2020 (2019: basic and diluted earnings per share of approximately HK0.35 cents).

The Board of Directors (the “Board”) does not recommend the payment of interim dividend for the three months ended 31 July 2020 (2019: 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.

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. Being on such list is a prerequisite for tendering for public slope works contracts. However, the Group has been facing increasing costs of operation, including cost of direct labour and subcontracting charges as well as keen competition in the market, also the social demonstration and the outbreak of coronavirus may affect the progress of on-going construction projects and it will likely affect the Group’s profit. Therefore, our business in Hong Kong is expected to continue to be very challenging in the coming years.

In order to further expand the business and generate promising returns to the shareholder of the Company, the Directors are taking active approach to develop business in other Asia-Pacific regions’ markets, including but not limited to Japan, Thailand and Singapore. The Directors are also endeavouring to diversify the Company business scope that can leverage with our existing experiences and business, like design and build for property development, invest in potential property to benefit from capital appreciation and generate stable rental income, or any other business.

Meanwhile, the Group will still focus on site formation works in the Hong Kong construction industry and renovation works in Hong Kong. The Group will continue to strengthen the competitive edge of the Group over competitors in the construction industry and expanding the business in order to increase shareholders’ return.

FINANCIAL REVIEW

Revenue

Revenue represents receipts from the provision of construction services in site formation works and renovation works in Hong Kong. Site formation 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\$3.9 million or approximately 8.7% from approximately HK\$44.9 million for the three months ended 31 July 2019 to approximately HK\$41.0 million for the three months ended 31 July 2020. 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 2020.

Most of the revenue during the Reporting Period was derived from undertaking slope works commissioned by the Lands Department and Housing Authority.

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\$2.3 million or approximately 76.7% from approximately HK\$3.0 million for the three months ended 31 July 2019 to approximately HK\$0.7 million for the three months ended 31 July 2020 and the Group's gross profit margin decreased from approximately 6.7% for the three months ended 31 July 2019 to approximately 1.7% for the three months ended 31 July 2020. The decrease in gross profit margin and gross profit was mainly due to the decrease of revenue and more revenue contribution from contracts with lower margin undertaking by increasing cost of use of subcontractors and labourers as affected by the social demonstration and the outbreak of coronavirus.

The Group's direct costs decreased by approximately HK\$1.6 million or approximately 3.8% from approximately HK\$41.9 million for the three months ended 31 July 2019 to approximately HK\$40.3 million for the three months ended 31 July 2020. 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 2020.

Administrative Expenses

The Group's administrative expenses increased by approximately HK\$0.4 million or approximately 17.4% from approximately HK\$2.3 million for the three months ended 31 July 2019 to approximately HK\$2.7 million for the three months ended 31 July 2020. Administrative expenses consist primarily of staff costs, professional fees, depreciation, rental expenses and other administrative expenses. The increase in the Group's administrative expenses was mainly due to an increase in administrative staff cost and professional fees for the three months ended 31 July 2020.

Other Income

The Group's other income amounted to approximately HK\$0.9 million for the three months ended 31 July 2020 (2019: nil). It was mainly attributable to the increase of government subsidy of HK\$0.7 million for the three months ended 31 July 2020.

Net loss/profit

Net loss amounted to approximately HK\$1.3 million for the three months ended 31 July 2020 as compared to a net profit of approximately HK\$0.6 million for three months ended 31 July 2019. Such decrease in net profit was primarily attributable to the decrease in gross profit for the three months ended 31 July 2020 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 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, are as follows:

Long position in the shares and underlying shares of the Company

Name of Director	Number of issued ordinary shares/underlying shares of the Company		Percentage of the issue share capital of the Company
	Personal interests	Total	
Ms. Tsui Tsz Fa Mabel			
– Unlisted share options	1,600,000	1,600,000	1%
Ms. Liu Tanying			
– Unlisted share options	1,600,000	1,600,000	1%

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

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

As at 31 July 2020, the Company had not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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 2020.

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

During the three months ended 31 July 2020 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 2020 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 2020 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 2020 (2019: 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 2020 are as follows:

Grantees	Date of grant	No. of shares comprised in options				As at 31 July 2020	Exercise price per share (Note 1)
		As at 1 May 2020	Granted during the period	Exercised during the period	Lapsed during the period		
Executive director							
Ms. Tsui Tsz Fa							
Mabel	30 May 2019	1,600,000	-	-	-	1,600,000	HK\$0.366
Ms. Liu Tanying	30 May 2019	1,600,000	-	-	-	1,600,000	HK\$0.366
Other Grantees							
(Note 2)	30 May 2019	3,200,000	-	-	-	3,200,000	HK\$0.366
	Total	<u>6,400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,400,000</u>	

Note 1: The closing price was HK\$0.35 per share for the date immediately prior to the date of grant.

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

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. Yim Kin Ping. 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 2020 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 2020

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

FOR THE THREE MONTHS ENDED 31 JULY 2020

		For the three months ended 31 July	
	Notes	2020 HK\$'000 <i>(Unaudited)</i>	2019 HK\$'000 <i>(Unaudited)</i>
Revenue	3	40,972	44,851
Direct costs		<u>(40,306)</u>	<u>(41,870)</u>
Gross profit		666	2,981
Other income	4	861	–
Administrative expense		(2,671)	(2,274)
Finance cost	6	<u>(73)</u>	<u>(66)</u>
(Loss)/profit before income tax	5	(1,217)	641
Income tax expense	7	<u>(38)</u>	<u>(83)</u>
(Loss)/profit and total comprehensive (expense)/income for the period attributable to equity holders of the Company		<u><u>(1,255)</u></u>	<u><u>558</u></u>
		HK cents	HK cents (restated)
(Loss)/earnings per share attributable to equity holders of the Company			
Basic and diluted	9	<u><u>(0.78)</u></u>	<u><u>0.35</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED 31 JULY 2020

	Total equity attributable to equity holders of the Company					
	Share capital	Share premium	Capital reserve	Share option reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000 (Note)	HK\$'000 (Note)	HK\$'000	HK\$'000
Balance as at 1 May 2019	8,000	54,718	10,101	–	41,023	113,842
Profit and total comprehensive income for the period	–	–	–	–	558	558
Balance as at 31 July 2019 (unaudited)	<u>8,000</u>	<u>54,718</u>	<u>10,101</u>	<u>–</u>	<u>41,581</u>	<u>114,400</u>
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	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,255)</u>	<u>(1,255)</u>
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>

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 Room 1101, 11/F, Wealth Commercial Centre, 48 Kwong Wa Street, Mong Kok, Kowloon, 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 2020 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 2020.

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 2020, 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 2020. 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Contract revenue	<u>40,972</u>	<u>44,851</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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Customer A	N/A ^(Note)	7,868
Customer B	23,052	19,360
Customer C	N/A ^(Note)	2,098
Customer D	11,560	9,025
Customer E	<u>6,180</u>	<u>6,500</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

	For the three months ended 31 July	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Gain on disposal of plant and equipment	161	–
Government subsidy	700	–
	<u>861</u>	<u>–</u>

5. (LOSS)/PROFIT BEFORE INCOME TAX

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

	For the three months ended 31 July	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
(a) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	3,835	5,595
Contributions to defined contribution retirement plans	80	191
	<u>3,915</u>	<u>5,786</u>
(b) Other items		
Depreciation of plant and equipment	339	432
Depreciation of right-of-use assets	181	–
Gain on disposal of plant and equipment	(161)	–
Operating lease charges in respect of:		
– Premises	–	247
Expenses related to short term leases	63	–
Subcontracting charges (included in direct costs)	37,121	36,116
	<u>37,121</u>	<u>36,116</u>

6. FINANCE COST

	For the three months ended 31 July	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Bank overdraft interest	3	–
Interest on lease liabilities	4	–
Interest on other borrowings	66	66
	<u>73</u>	<u>66</u>

7. INCOME TAX EXPENSE

	For the three months ended 31 July	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax		
– Hong Kong Profits Tax	<u>38</u>	<u>83</u>

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 2020 (2019: nil).

9. (LOSS)/EARNINGS PER SHARE

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

	For the three months ended 31 July	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
(Loss)/earnings		
(Loss)/profit for the period attributable to equity holders of the Company	<u>(1,255)</u>	<u>558</u>
		(restated)
Number of shares		
Weighted average number of ordinary shares (in thousands)	<u>160,000</u>	<u>160,000</u>

During the three months period ended 31 July 2020, the Company implemented the share consolidation of every five shares into one consolidated share (the “Share Consolidation”). The Share Consolidation were completed on 15 July 2020. Accordingly, the weighted average number of shares for the purposes of basic and diluted loss/earnings per share has been adjusted for both periods.

There were no dilutive potential ordinary shares during the three months ended 31 July 2020 and 2019 and therefore, diluted earnings per share equals to basic earnings per share.