



**WLS Holdings Limited**  
**滙隆控股有限公司\***

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*  
**(Stock Code: 8021)**

**First Quarterly Report 2017/2018**

\* *For identification purpose only*

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

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

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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 (“Directors”) of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”) for the purpose of giving information with regard to the issuer. 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.*

## RESULTS FOR THE THREE MONTHS ENDED 31 JULY 2017

The Board of Directors (the “Board”) of WLS Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together the “Group”) for the three months ended 31 July 2017 together with the unaudited comparative figures for the corresponding period in 2016 as follows:

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

		<b>Three months ended 31 July</b>	
		<b>2017</b>	2016
	<i>Notes</i>	<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
Turnover	3	<b>39,260</b>	39,055
Cost of sales		<b>(22,974)</b>	(23,315)
Gross profit		<b>16,286</b>	15,740
Other income	4	<b>595</b>	7,324
Other (loss) and gain, net	5	<b>(101,055)</b>	(2,752)
Operating and administrative expenses		<b>(10,882)</b>	(10,776)
Finance costs	6	<b>(1,583)</b>	(953)
Share of results of associates		<b>–</b>	176
(Loss)/profit before taxation		<b>(96,639)</b>	8,759
Taxation	7	<b>(1,340)</b>	(1,505)
(Loss)/profit for the period		<b>(97,979)</b>	7,254
(Loss)/income for the period attributable to:			
Equity holders of the Company		<b>(98,314)</b>	6,796
Non-controlling interests		<b>335</b>	458
		<b>(97,979)</b>	7,254
Dividend	8	<b>–</b>	–
		<b>(Unaudited)</b>	(Unaudited)
(Loss)/earnings per share			
– basic	9	<b>HK(0.770) cent</b>	HK0.053 cent
– diluted	9	<b>HK(0.770) cent</b>	HK0.053 cent

	<b>Three months ended 31 July</b>	
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
(Loss)/profit for the period	<b>(97,979)</b>	7,254
Other comprehensive (loss)/income:		
<i>Items that may be reclassified to profit or loss:</i>		
Add:		
Exchange difference on translation of financial statement of overseas associate	–	13
Change in fair value of available-for-sale investments	<b>(49,539)</b>	5,840
	<hr/>	<hr/>
Other comprehensive (loss)/income for the period, net of tax	<b>(49,539)</b>	5,853
	<hr/>	<hr/>
Total comprehensive (loss)/income for the period	<b>(147,518)</b>	13,107
	<hr/>	<hr/>
Total comprehensive (loss)/income for the period attributable to:		
Equity holders of the Company	<b>(147,853)</b>	12,649
Non-controlling interests	<b>335</b>	458
	<hr/>	<hr/>
	<b>(147,518)</b>	13,107
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# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 July 2017

	Attributable to equity holders of the Company										
	Share capital	Share premium	Contributed surplus	Merger reserve	Share option reserve	Exchange reserve	Investment revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i> (Note 1)	<i>HKS'000</i> (Note 2)	<i>HKS'000</i> (Note 3)	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
At 1 May 2016 (Audited)	127,670	507,430	191,087	2,222	2,364	(13)	16,352	(45,747)	801,365	(5,178)	796,187
Profit for the period	-	-	-	-	-	-	-	6,796	6,796	458	7,254
Other comprehensive income for the period	-	-	-	-	-	13	5,840	-	5,853	-	5,853
Total comprehensive income for the period	-	-	-	-	-	13	5,840	6,796	12,649	458	13,107
Share options lapsed during the period	-	-	-	-	(1,731)	-	-	1,731	-	-	-
At 31 July 2016 (Unaudited)	127,670	507,430	191,087	2,222	633	-	22,192	(37,220)	814,014	(4,720)	809,294
At 1 May 2017 (Audited)	127,670	507,430	191,087	2,222	-	-	17,054	(59,337)	786,126	(3,869)	782,257
(Loss)/profit for the period	-	-	-	-	-	-	-	(98,314)	(98,314)	335	(97,979)
Other comprehensive (loss) for the period	-	-	-	-	-	-	(49,539)	-	(49,539)	-	(49,539)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(49,539)	(98,314)	(147,853)	335	(147,518)
At 31 July 2017 (Unaudited)	127,670	507,430	191,087	2,222	-	-	(32,485)	(157,651)	638,273	(3,534)	634,739

## Notes:

1. The contributed surplus of the Group represents the amount transferred from share premium amount upon the cancellation of the entire amount standing to the credit of the share premium account as at 28 August 2014 pursuant to a special resolution passed by the shareholders at an extraordinary general meeting held on that date.
2. The merger reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company in exchange for the nominal value for the issued share capital of the subsidiaries acquired pursuant to the Group's reorganisation on 23 November 2001.
3. The share option reserve of the Group represents the fair value of share options granted to the directors and employees of the Company at the relevant grant dates. All the share options were expired during the year ended 30 April 2017. The whole amount of share option reserve was realised in accumulated losses.

*Notes:*

**1. Corporate information**

The Company is incorporated in the Cayman Islands as an exempted company and continued in Bermuda with limited liability and its shares are listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business is Rooms 1001-1006, 10th Floor, Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Aberdeen, Hong Kong.

The principal activities of the Group are the provision of scaffolding and fitting out services, management contracting services, and other services for construction and buildings work, money lending business, securities brokerage and margin financing, and securities investment business.

These unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

**2. Basis of preparation of the financial statements**

The unaudited condensed consolidated financial statements of the Company have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“GEM Listing Rules”).

The unaudited condensed consolidated financial statements of the Company have been prepared under the historical cost convention, except for certain financial assets and liabilities which have been measured at fair values. The principal accounting policies used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 30 April 2017 except for the new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA that are adopted for the first time for the current period’s financial statements.

The Group has applied the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA for the first time in the current period.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle

The application of the amendments to HKFRSs did not have any material impact on the Company’s unaudited condensed consolidated financial statements.

### 3. Turnover

	Three months ended 31 July	
	2017	2016
	HK\$'000	HK\$'000
Contract revenue in respect of construction and buildings work for the provision of		
– scaffolding services	19,403	19,192
– fitting out services	8,557	8,584
Gondolas, parapet railings and access equipment installation and maintenance services	2,215	2,197
Loan interest income	8,969	9,082
Securities brokerage and margin financing	116	–
	<u>39,260</u>	<u>39,055</u>

### 4. Other Income

	Three months ended 31 July	
	2017	2016
	HK\$'000	HK\$'000
Foreign exchange gain, net	144	–
Interest income	17	14
Rental income	137	221
Dividend income	126	7,028
Reversal of allowance for bad and doubtful debts	153	10
Sundry Income	18	51
	<u>595</u>	<u>7,324</u>

### 5. Other (loss) and gain, net

	Three months ended 31 July	
	2017	2016
	HK\$'000	HK\$'000
Fair value loss on financial assets at fair value through profit or loss, net	(81,224)	(5,061)
Loss on disposal of an available-for-sale investment	(19,831)	–
Gain on disposal of a subsidiary	–	2,309
	<u>(101,055)</u>	<u>(2,752)</u>

### 6. Finance Costs

	Three months ended 31 July	
	2017	2016
	HK\$'000	HK\$'000
Interest on bank loans	476	500
Interest on other loan	526	425
Interest on other borrowing	544	–
Interest on obligations under finance leases	37	28
	<u>1,583</u>	<u>953</u>

## 7. Taxation

Taxation comprises:

	Three months ended 31 July	
	2017	2016
	HK\$'000	HK\$'000
Hong Kong Profits Tax		
– current period	(1,340)	(1,505)
	<u>(1,340)</u>	<u>(1,505)</u>

Provision for Hong Kong Profits Tax has been made at the rate of 16.5% on the estimated assessable profit arising in Hong Kong during the period (three months ended 31 July 2016: 16.5%).

## 8. Dividend

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

## 9. (Loss)/Earnings per share

The calculation of the basic (loss)/earnings per share is based on the unaudited net (loss)/income attributable to equity holders of the Company for the three months ended 31 July 2017 amounting to approximately (HK\$98,314,000) (three months ended 31 July 2016: HK\$6,796,000). The weighted average numbers of ordinary shares for the purpose of basic and diluted (loss)/earnings per share are as follows:

	Three months ended 31 July	
	2017	2016
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating (loss)/earnings per share		
Basic and Diluted	<u>12,767,101,072</u>	<u>12,767,101,072</u>
	HK Cent	HK Cent
(Loss)/Earnings per share		
– Basic	(0.770)	0.053
– Diluted	(0.770)	0.053

During the three months ended 31 July 2016, the computation of diluted (loss)/earnings per share did not assume the exercise of the Company's outstanding share options because the exercise price of those share options was higher than the average market price for shares for the period. During the three months ended 31 July 2017, the Company had no outstanding share options.

The Group has no potentially dilutive ordinary shares in issue during the period ended 31 July 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the three months ended 31 July 2017, (herein referred to as the “reporting period”), the turnover of the Group remained stable at approximately HK\$39,260,000 (three months ended 31 July 2016: HK\$39,055,000). Net (loss)/income attributable to equity holders of the Company for the three months ended 31 July 2017 was approximately (HK\$98,314,000) (three months ended 31 July 2016: HK\$6,796,000). The loss was mainly due to the fair value loss of the Group’s financial assets at fair value through profit or loss of approximately HK\$81.2 million (three months ended 31 July 2016: loss of approximately HK\$5.1 million); and loss on disposal of one of the available-for-sale investments of approximately HK\$19.8 million (three months ended 31 July 2016: Nil). During the reporting period, our money lending business continued to outperform all sectors of the Group and served as one of the major income source of the Group.

As a result of active residential housing construction, the local construction market expanded at a stable pace during the reporting period. As one of Hong Kong’s leading scaffolding service providers, the Group successfully delivered 35 projects and secured 4 new projects. In addition, more than 15 projects were currently in progress for the three months ended 31 July 2017. The Group’s proprietary “Pik-Lik” scaffolding system renowned for its efficiency and labour cost-savings, has been widely used throughout the industry and currently enjoys a market share that has reached more than 10%.

During the reporting period, the fitting out division’s operating results remained flat with revenues amounting to approximately HK\$8,557,000. The Group did, however, see satisfactory performance on its new ceiling works service.

The Group’s temporary gondola fleet business continued to generate stable rental income with a satisfactory level of revenue which reached HK\$2,215,000.

As for money lending operations, the Group has secured a number of short-term and long-term loan agreements and generated a turnover of approximately HK\$8,969,000 during the reporting period, representing 1.2% slightly drop compared with last reporting period. The money lending segment has become the cash cow and profit driver of the Group’s overall business.

As mentioned above, the Group’s securities investment business had recorded a significant loss during the reporting period, which was mainly due to the volatility of the stock market in Hong Kong.

The Group began its securities brokerages operations ever since Ox Financial Securities Limited (“Ox Financial”), it’s indirect, wholly-owned subsidiary was granted the right to conduct type 1 (dealing in securities) regulated activities by SFC. This business segment contributed revenues of approximately HK\$116,000 during the period under review.

### Business Outlook

The Group expects 2017 to be a busy time for the construction industry. Apart from ten major infrastructure projects, the Hong Kong government is also pressing ahead with other works such as the Liantang/Heung Yuen Wai Boundary Control Point project and the third runway for Hong Kong International Airport. In addition, based on the HKSAR’s land supply forecast, a total of 460,000 residential units are expected to be added to the market over the next 10 years, generating a great deal of future construction project work. Therefore, the Group is prudently optimistic about overall prospects for the scaffolding sector. As one of the leading scaffolding sub-contractors in the industry, we are confident about securing more contracts in the coming year.

However, there will also be a shortage of about 10,000 to 15,000 skilled workers in the construction industry. The Group has identified a key market niche and will continue to promote the use of the “Pik Lik” brand scaffolding system to help improve overall efficiency while boosting the revenue and market share of our Scaffolding Services division. At present, there are currently 25 construction projects utilising the Pik Lik scaffolding system, and these projects are still ongoing.

Furthermore, the Group plans to continue expanding those business segments that generate higher profit margins and show ample growth potential such as money lending and securities brokerage operations. In the meantime, the Group will strictly adhere to its cost control policy, and swiftly adjust business strategies to its scaffolding business in response to ever-changing market dynamics in order to generate better financial returns for shareholders.

Finally, we will actively explore all suitable investment opportunities to diversify the Group’s business horizons and will work hard to strengthen overall business development. The Group’s business strategy is in line with the general direction of the government’s overall strategic development plans for property construction, infrastructure investment and financial market development.

### **Financial Review**

For the three months ended 31 July 2017, the Group’s revenue amounted to approximately HK\$39,260,000 represents a slightly increase of approximately 0.5% as compared with the corresponding periods in the preceding financial year. Money lending business contributed substantial revenue to maintain the financial stability of the Group in anticipation of future growth.

During the period under review, gross profit of the Group increased from approximately HK\$15,740,000 to approximately HK\$16,286,000 as compared with the three months ended 31 July 2016. This resulted mainly from the increase in turnover from the business of the Gondolas, parapet railings and access equipment installation and maintenance, and securities brokerage and margin financing compared with other business segments.

During the reporting period, the operating and administrative expenses remained stable and just slightly increased from approximately HK\$10,776,000 to approximately HK\$10,882,000. Finance costs increased from approximately HK\$953,000 to approximately HK\$1,583,000. Such stable changes was because the Group continued to adopt its policy of vigilant cost control for the ensuing periods. In addition, funds generated from financing activities strengthened the working capital of the Group in anticipation of further investment and diversification opportunities in the future.

### **Capital Structure**

As at 31 July 2017, the Group had shareholders’ equity of approximately HK\$638,273,000 (30 April 2017: approximately HK\$786,126,000).

## FINANCING

### Previous fund raising activities of the Company

Date of announcement	Fund raising activities	Intended use of net proceeds as at the date of this announcement	Actual use of the net proceeds as at the date of this announcement
21 January 2015 and 27 March 2015	Placing of 540,000,000 new shares pursuant to the specific mandate granted to the Directors by the Shareholders at the special general meeting of the Company held on 5 March 2015	The aggregate net proceeds of approximately HK\$159.76 million was intended to be used as follows:	The aggregate net proceeds of HK\$148.14 million have been used as follows:
		<ul style="list-style-type: none"> <li>(i) approximately HK\$30.00 million for repayment of bank loans and other loans;</li> <li>(ii) approximately HK\$33.00 million for repayment of the convertible bonds and the payment of interest accrued thereon;</li> <li>(iii) approximately HK\$30.00 million for financing the development of the money lending business;</li> <li>(iv) approximately HK\$25.00 million for purchase of factory unit for warehouse storage purpose;</li> <li>(v) approximately HK\$17.00 million for expansion of design and fitting out services of the Group; and</li> <li>(vi) the remaining balance of approximately HK\$24.76 million for general working capital of the Group.</li> </ul>	<ul style="list-style-type: none"> <li>(i) approximately HK\$30.00 million has been utilised for repayment of bank loans and other loans;</li> <li>(ii) approximately HK\$31.78 million has been utilised for repayment of the convertible bonds and the payment of interest accrued thereon, and remaining balance of approximately HK\$1.22 million has been reallocated as general working capital of the Group;</li> <li>(iii) approximately HK\$30.00 million has been utilised for financing the money lending business;</li> <li>(iv) approximately HK\$17.00 million has been utilised for expansion of design and fitting out services of the Group; and</li> <li>(v) approximately HK\$25.98 million has been applied as general working capital of the Group, of which was utilised as to (a) approximately HK\$12.18 million for the purchase of raw material for the segment of scaffolding services for construction and building work; (b) approximately HK\$6.45 million for the salaries and wages for the employees of the Group; (c) approximately HK\$2.03 million for the legal and professional fees incurred by the Group; and (d) approximately HK\$5.32 million for other administrative expenses of the Group.</li> </ul>

Date of announcement	Fund raising activities	Intended use of net proceeds as at the date of this announcement	Actual use of the net proceeds as at the date of this announcement
			<p data-bbox="776 188 1031 687">To enhance the efficiency of the deployment of the net proceeds and to maximise the returns to the shareholders of the Company, the remaining balance of approximately HK\$25.00 million originally allocated for purchase of factory unit for warehouse storage purpose, was reallocated to the general working capital of the Group and utilised as to (i) approximately HK\$5.15 million for salaries and wages for the employees of the Group; and (ii) approximately HK\$8.23 million for other administrative expenses of the Group, further details are set out in the announcement of the Company dated 19 June 2017.</p> <p data-bbox="776 719 1031 805">The remaining balance of approximately HK\$11.62 million has not been utilised and remains in the bank for intended use.</p>

## SIGNIFICANT INVESTMENTS

As at 31 July 2017, the available-for-sale investments (“AFSs”) of the Group amounted to approximately HK\$27.35 million and financial assets at fair value through profit or loss (“FVTPL”) of the Group amounted to approximately HK\$44.75 million. Given that securities investment is one of the Group’s ordinary principal businesses, the Directors consider that (i) investments with a carrying amount that account for more than 5% of the Group’s unaudited net assets as at 31 July 2017; or (ii) investment with a carrying amount that account for more than 8% of the Group’s total securities investment; or (iii) investments held by the Group contributed realised or unrealised gain/(loss) or impairments or increase/(decrease) in investment revaluation reserve of over HK\$6.5 million during the reporting period as significant investments.

Description of investments	Notes	Carrying amount as at	Acquired during reporting period	Disposal during reporting period	Increase/ (decrease) in investment revaluation reserve	Loss on disposal of AFS	Fair value gain/(loss)	Carrying amount as at	Percentage to the Group’s unaudited net assets as at	Percentage to the Group’s unaudited total assets as at	Percentage to the Group’s total securities investment as at
		30 April 2017	Reporting period	Reporting period	Revaluation reserve	Disposal of AFS	Gain/(loss)	31 July 2017	31 July 2017	31 July 2017	31 July 2017
		HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
		(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)			(Unaudited)
<b>AFSs</b>											
Capital VC Limited (“Capital VC”) (stock code: 2324)	(a)	15,221	-	-	(9,618)	-	-	5,603	0.88%	0.69%	7.77%
China Kingstone Mining Holdings Limited (“CKMH”) (stock code: 1380)	(b)	-	10,118	-	(1,686)	-	-	8,432	1.33%	1.04%	11.70%
KPM Holding Limited (“KPM”) (stock code: 8027)	(c)	19,500	-	-	(18,096)	-	-	1,404	0.22%	0.17%	1.95%
QPL International Holdings Limited (“QPL”) (stock code: 243)	(d)	34,456	19,423	(18,280)	(15,768)	(19,831)	-	-	-	-	-
Equity securities listed in Hong Kong	(e)	10,275	-	-	(4,340)	-	-	5,935	0.94%	0.73%	8.23%
Unlisted investment funds, at cost		9,181	-	(5,179) <sup>(1)</sup>	(31)	-	-	3,971	0.63%	0.49%	5.51%
Unlisted investment, at cost		2,000	-	-	-	-	-	2,000	0.32%	0.25%	2.77%
		90,633	29,541	(23,459)	(49,539)	(19,831)	-	27,345	4.32%	3.37%	37.93%
<b>Financial assets at FVTPL</b>											
Convertible bonds (“CB”) of China e-Wallet Payment Group Limited (formerly known as RCG Holdings Limited) (“China e-Wallet”) (stock code: 802)	(f)	35,400	-	-	-	-	(20,716)	14,684	2.31%	1.81%	20.37%
China Investments and Finance Group Limited (“CIFL”) (stock code: 1226)	(g)	24,380	-	-	-	-	(16,284)	8,096	1.28%	1.00%	11.23%
China Jicheng Holdings Limited (“CJHL”) (stock code: 1027)	(h)	-	14,254	(916)	-	-	(13,338)	-	-	-	-
Hao Wen Holdings Limited (“Hao Wen”) (stock code: 8019)	(i)	16,363	-	-	-	-	(12,163)	4,200	0.66%	0.52%	5.82%
Link Holdings Limited (“Link”) (stock code: 8237)	(j)	7,074	-	-	-	-	(740)	6,334	1.00%	0.78%	8.79%
Major Holdings Limited (“MHL”) (stock code: 1389)	(k)	-	9,865	(1,678)	-	-	(8,187)	-	-	-	-
Equity securities listed in Hong Kong	(l)	7,023	20,087	(5,880)	-	-	(9,796)	11,434	1.80%	1.41%	15.86%
		90,240	44,206	(8,474)	-	-	(81,224)	44,748	7.05%	5.52%	62.07%
		180,873	73,747	(31,933)	(49,539)	(19,831)	(81,224)	72,093	11.37%	8.89%	100.00%

Note(1): this represent capital refunds during the reporting period

*Notes:*

- (a) Capital VC and its subsidiaries (collectively referred to as the “Capital VC Group”) were principally engaged in investing in listed and unlisted companies mainly.

As at 31 July 2017, the Group held 93,380,000 shares of Capital VC, which represented approximately 3.39% of total issued share capital of Capital VC at the same date.

As disclosed in the interim report of Capital VC for the six months ended 31 March 2017, Capital VC expected that (i) the investment environment in the US and other advanced economies will be relatively stable; (ii) the anticipated mild and slow interest rate normalisation will not cause significant influence of global investment market; and (iii) in the East, as the China economy is maturing and a more sustainable development is desired, slower future growth levels are to be expected. Accordingly, the directors of Capital VC will continue to adopt cautious measures to manage the Capital VC Group’s investment portfolio.

- (b) CKMH and its subsidiaries (collectively referred to as the “CKMH Group”) were principally engaged in the production and sale of marble and marble related products mainly in China.

As at 31 July 2017, the Group held 84,320,000 shares of CKMH, which represented approximately 2.98% of total issued share capital of CKMH at the same date.

As disclosed in the interim report of CKMH for the six months ended 30 June 2017, CKMH expected that the property developer will invest less in new construction projects. The marble stone business of the CKMH Group is still full of challenges. The CKMH Group will continue to carry out the further development of the mine to lower benches for a higher quality large block production. In short terms, the CKMH Group may rely on the sales of marble slabs through the stripping of overburden and cracked limestone and sourcing the marble slabs from other supplier for its customers.

- (c) KPM and its subsidiaries (collectively referred to as the “KPM Group”) were principally engaged in the design, fabrication, installation and maintenance of signage and related products.

As at 31 July 2017, the Group held 26,000,000 shares of KPM, which represented approximately 0.81% of total issued share capital of KPM at the same date.

As disclosed in the interim report of KPM for the six months ended 30 June 2017, KPM expected that the demand in private sector construction activities has declined which would adversely affect the KPM’s revenue, yet the increased demand in public sector construction, in particular in road infrastructure, is anticipated to present more business opportunity for the KPM Group in due course. The KPM Group will continue to manage its expenditures, review the business strategy constantly and look for other business opportunities to cope with existing market environment in a cautious and prudent manner.

- (d) QPL and its subsidiaries were principally engaged in the manufacture and sale of integrated circuit leadframes, heatsinks, stiffeners and related products and investment holding.

During the reporting period, the Group disposed all of 88,397,000 shares of QPL, which contributed a loss on disposal of approximately HK\$19,831,000 to the Group accordingly.

- (e) As at 31 July 2017, equity securities listed in Hong Kong under the category of available-for-sale investments represented the Group's investments in two companies whose shares are listed on the Main Board of the Stock Exchange. Each of such investments has a carrying amount that account for (i) less than 5% of the Group's unaudited net assets as at 31 July 2017 and (ii) less than 8% of the Group's total securities investment as at 31 July 2017, and each of such investment does not contribute over HK\$6.5 million of movement in investment revaluation reserve during the reporting period.
- (f) This investment represented the subscription of CB of China e-Wallet in total amount of HK\$15,000,000 with interest rate of 2.5% per annum on the principal amounts and the conversion price is HK\$0.25 per conversion share. The maturity date of the CB is the date falling 36 months from the issuing date. As at 31 July 2017, the fair value of the CB subscribed by the Group was approximately HK\$14,684,000 which was based on the valuation report prepared by a professional valuer.

China e-Wallet and its subsidiaries (collectively referred to as the "China e-Wallet Group") were principally engaged in the provision of biometric and radio frequency identification products and solution services, internet and mobile application and related services.

As disclosed in the annual report of China e-Wallet for the year ended 31 December 2016, China e-Wallet Group had continued the efforts to consolidate and realign its businesses to enable the China e-Wallet Group to achieve improvements in its financial position. China e-Wallet Group will continue to work towards, attaining a stable platform for sustainability and basis for continuous growth.

- (g) CIFL and its subsidiaries (collectively referred to as the "CIFL Group") were principally engaged in securities trading and investment holding.

As at 31 July 2017, the Group held 92,000,000 shares of CIFL, which represented approximately 4.08% of total issued share capital of CIFL at the same date.

As disclosed in the annual report of CIFL for the year ended 31 March 2017, CIFL expected that (i) the global market will continue to face greater challenges and full of uncertainty, developed economies are beginning to have signs of recovery, but the developing economies also have trends of adjustment and (ii) meanwhile, China is also facing a slowdown in economic growth, economic structure has undergone significant changes during the transition from medium to long term, crisis and opportunities coexist. Accordingly, the directors of CIFL will continue to take a prudent approach in managing the CIFL Group's investment portfolio and develop the investment strategies. Given the increasing influence of China against the global economy, the CIFL Group will still be based mainly on Chinese economy, the CIFL Group will continue to look for investment opportunities which offer outstanding returns under the acceptable risk in the portfolio of the CIFL Group.

- (h) CJHL and its subsidiaries were principally engaged in the manufacture and sale of umbrella.

During the reporting period, the Group acquired 54,150,000 shares of CJHL and disposed all of 54,150,000 shares of CJHL within the same reporting period due to a significant downward of its share price.

- (i) Hao Wen and its subsidiaries (collectively referred to as the “Hao Wen Group”) were principally engaged in money lending business, trading of electronic parts and trading and manufacturing of biomass fuel.

As at 31 July 2017, the Group held 87,500,000 shares of Hao Wen, which represented approximately 4.08% of total issued share capital of Hao Wen at the same date.

As disclosed in the annual report of Hao Wen for the year ended 31 December 2016, Hao Wen expected that (i) a changing domestic and external environment of Hong Kong and Mainland China will remain in the financial year 2017 as the United States Federal Reserve is expected to normalise its monetary policy with more frequent federal funds target interest rate hikes and the changes in policies after the appointment of new Chief Executive in Hong Kong; (ii) the Monetary Authority will continue to impose stringent policy and prudential measures on the local landed property mortgage loans provided by authorised financial institutions in Hong Kong and these measures and tight controls have created extra hurdles for the general public who may look for mortgages to satisfy their financial needs which, resulted to further opportunities to expand the Hao Wen Group’s mortgage loan business; (iii) with the net proceeds raised from the rights issue and placing specific for the development of money lending business, the Hao Wen Group will continue on the development of its mortgage loan business; and (iv) great potential in trading of electronic parts emerges from people’s pursuit of efficiency of which the directors of Hao Wen consider as one of the growth engine in the foreseeable future.

- (j) Link and its subsidiaries (collectively referred to as the “Link Group”) were principally engaged in the engaged in hotel ownership, operation of hotel services and property investment.

As at 31 July 2017, the Group held 8,226,000 shares of Link, which represented approximately 0.24% of total issued share capital of Link at the same date.

As disclosed in the interim report of Link for the six months ended 30 June 2017, Link intends to expand its business horizon to the Greater China region and other Asian countries and The Link Group will further seek potential acquisition opportunities to maximise its shareholder’s value.

- (k) MHL and its subsidiaries were principally engaged in engaged in sale and distribution of premium wine and spirit products and wine accessory products in Hong Kong.

During the reporting period, the Group acquired 8,624,000 shares of MHL and disposed all of 8,624,000 shares of MHL within the same reporting period due to a significant downward of its share price.

- (l) Equity securities listed in Hong Kong under the category of financial assets at FVTPL represented the Group’s investments in twelve companies whose shares are listed on the Main Board or the GEM of the Stock Exchange. Each of such investments has a carrying amount that account for (i) less than 5% of the Group’s unaudited net assets as at 31 July 2017 and (ii) less than 8% of the Group’s total securities investment as at 31 July 2017, and each of such investment does not contribute over HK\$6.5 million of realised or unrealised gain/(loss) during the reporting period.

The Directors expect that the stock market in Hong Kong remains to be volatile in 2017 and 2018 which may affect the performance of the Group’s securities investments. Looking forward, the Board believes that the performance of the securities investments of the Group will be dependent on the financial and operating performance of investee companies and market sentiment which are affected by factors such as interest rate movements and performance of the macro economy. In order to mitigate the associated risk, the Group will continuously remain cautious in the allocation of resources and the identification and capture of appropriate securities investment opportunities. It will review its investment strategy regularly and take appropriate actions whenever necessary in response to changes in the market.

Save as disclosed above, there were no significant investments held by the Group, no other material acquisitions and disposals by the Group during the reporting period.

## **Share option scheme**

The share option scheme adopted by the Company on 25 November 2001 was terminated by a written resolution passed by the shareholders of the Company at the annual general meeting of the Company held on 30 August 2011. Upon termination of this share option scheme, no further share options under this scheme could be granted, but the provisions of this share option scheme will remain in full force and effect to the extent necessary to give effect to the exercise of those share options granted prior to its termination.

Under the terms of the Share Option Scheme adopted by the Company on 30 August 2011 (the “Option Scheme”), for the primary purpose of providing incentive to directors, eligible employees and consultants, the Board may, at its absolute discretion, offer full-time employees of the Company or any of its subsidiaries, including executive, non-executive and independent non-executive directors of the Company or any of its subsidiaries or any consultants or advisors of any member of the Group, to take up options to subscribe for shares of the Company. The maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Option Scheme and any other share option schemes of the Company must not, subject to the conditions set out in the Option Scheme, exceed 30% of the issued share capital of the Company from time to time.

The maximum number of shares issued and to be issued on the exercise of options granted and to be granted (including both exercised and outstanding options) to a grantee in any 12-month period must not exceed 1% of the total issued share capital of the Company in issue, unless (a) a shareholder circular is despatched to the shareholders; and (b) the shareholders approve the grant of the options in excess of the limit referred to herein. A nominal consideration of HK\$1 is payable on acceptance of each grant.

The subscription price was determined by the Board, but may not be less than the highest of (a) the closing price of the Company’s shares on the GEM as stated in the Stock Exchange’s daily quotation sheet on the date of offer of the options or, where certain conditions set out in the Option Scheme apply, on the date of the Board proposing such grant; (b) the average of the closing prices of the Company’s shares on the GEM as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of offer of the options or, where certain conditions set out in the Option Scheme apply, the average of the closing prices of the Company’s shares on the GEM as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of the Board proposing such grant; and (c) the nominal value of the shares.

An option may be exercised in whole or in part in accordance with the terms of the Option Scheme at any time during a period to be notified by the Board to each grantee that the period within which the option may be exercised shall not be more than 10 years from the date on which the offer of the grant of the options is made in accordance with the terms of the Option Scheme. There is no general requirement on the minimum period for which an option must be held before an option can be exercised under the terms of the Option Scheme.

During the year ended 30 April 2017, all the share options under the Option Schemes were expired and the Company had no share options outstanding at the end of the reporting period.

## **Pre-emptive rights**

There is no provision for pre-emptive rights under the Company’s bye laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## Management contract

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the three months ended 31 July 2017.

## Directors' interests in contracts of significance

No contracts of significance to which the Company or its subsidiaries was a party and in which a Director had a material interest subsisted at the end of the three-month period or at any time during the three months ended 31 July 2017.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 July 2017, the interests of the Directors and the chief executive of the Company in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to the Rule 5.46 of the GEM Listing Rules were as follows:

### Long positions in shares and underlying shares of the Company

Name of director	Number of ordinary shares held/ underlying shares held		Approximately percentage of the issued share capital of the Company as at 31 July 2017
	Personal interest	Total interest (inclusive of deemed interest)	
Dr. So Yu Shing	3,320,000	6,640,000 ( <i>note a</i> )	0.05%
Ms. Lai Yuen Mei, Rebecca	3,320,000	6,640,000 ( <i>note b</i> )	0.05%
Mr. Kong Kam Wang	1,778,000	–	0.01%
Mr. So Wang Chun, Edmond	880,000	–	0.01%
Mr. Ng Tang (resigned on 11 August 2017)	5,536,000	–	0.04%

Ms. Lai Yuen Mei, Rebecca is the spouse of Dr. So Yu Shing.

Mr. So Wang Chun, Edmond is the son of Dr. So Yu Shing and Ms. Lai Yuen Mei, Rebecca.

#### Notes:

- (a) Inclusive of interest in 3,320,000 shares and underlying share held by Ms. Lai Yuen Mei, Rebecca.
- (b) Inclusive of interest in 3,320,000 shares and underlying share held by Dr. So Yu Shing.

Save as disclosed above, none of the Directors or the chief executive of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or its associated corporations as at 31 July 2017.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 July 2017, so far as are known to any Directors or chief executive of the Company, the following parties (other than the Directors or chief executive of the Company) had interests in the shares of the Company as recorded in the register required to be kept pursuant to section 336 of the SFO:

### Long positions

Name	Capacity/Nature of Interest	Number of ordinary shares in the Company	Approximate percentage of the issued share capital of the Company as at 31 July 2017 (Approximate)
Avant Capital Management (Hong Kong) Limited	Investment manager	1,868,700,000 ( <i>note a</i> )	14.64%
Avant Capital Eagle Fund	Investment manager	1,644,000,000 ( <i>note b</i> )	12.88%

#### Notes:

- (a) according to the disclosure of interests notice filed by Avant Capital Management (Hong Kong) Limited on 13 December 2016, such shares include interest in 1,490,700,000 shares held by Avant Capital Eagle Fund and 378,000,000 shares held by Avant Capital SPC-Avant Capital Dragon Fund SP.
- (b) as recorded in the disclosure of interests notice filed by Avant Capital Eagle Fund on 25 August 2016.

Save as disclosed above, as at 31 July 2017, the Directors were not aware of any other person (other than a Director or the chief executive of the Company) who had an interest or short position in the shares or underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period was the Company or its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

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

During the three months ended 31 July 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the three months ended 31 July 2017, the Company had followed a code of conduct regarding directors' securities transactions as set out in Rules 5.46 to 5.68 of the GEM Listing Rules. The Company had also made specific enquiry of all directors and was not aware of any non-compliance with the required standard of dealings and the code of conduct regarding securities transactions by directors.

## COMPETING INTERESTS

During the reporting period, according to the GEM Listing Rules, the following director has interests in the following businesses which are considered to compete or likely to compete, either directly or indirectly, with the business of the Group (other than those businesses where the directors of the Company were appointed as Directors to represent the interests of the Company and/or the Group):

<b>Name of Director</b>	<b>Name of entity which are considered to compete or likely to compete with the business of the Group</b>	<b>Description of competing business</b>	<b>Nature of interests</b>
Kong Kam Wong	KNK Holdings Limited (Stock Code: 8039)	Provision of comprehensive architectural and structural engineering consultancy service	Independent non-executive director
Ng Tang (resigned on 11 August 2017)	Jun Yang Financial Holdings Limited (Stock Code: 397) ("Jun Yang")	Asset investments and money lending business	Executive director and chief executive officer and interest in approximately 1.67% of issued share capital of Jun Yang as at 31 July 2017 (resigned on 31 August 2017)
Yuen Chun Fai	Rui Kang Pharmaceutical Group Investments Limited (Stock Code: 8037)	Trading of securities in Hong Kong	Independent non-executive director (resigned on 28 August 2017)

<b>Name of Director</b>	<b>Name of entity which are considered to compete or likely to compete with the business of the Group</b>	<b>Description of competing business</b>	<b>Nature of interests</b>
Chan Ngai Sang, Kenny	AMCO United Holding Limited (Stock Code: 630)	Provision of construction services in building construction, building maintenance and improvement works, project management, renovation and decoration works, money lending business and securities investment business	Independent non-executive director (resigned on 1 August 2017)
	Combest Holdings Limited (Stock Code: 8190)	Money lending	Independent non-executive director
	Convoy Global Holdings Limited (Stock Code: 1019)	Money lending business and securities dealing business	Independent non-executive director
	Sing On Holdings Limited (Stock Code: 8352)	Provision of concrete demolition services in Hong Kong and Macau mainly as a subcontractor	Independent non-executive director
Law Man Sang	KGI Asia Limited	Securities brokerage	Executive director

As the board of directors of the Company is independent of the boards of the above-mentioned entities and the above director cannot control the Board of the Company, the Group is therefore capable of carrying its business independently of and at arm's length from the businesses of these entities.

Save as disclosed above, the directors are not aware of any business and interest of the Directors nor the controlling shareholder of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the reporting period.

#### **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the GEM Listing Rules.

## **CORPORATE GOVERNANCE**

The corporate governance principles of the Company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders. By applying rigorous corporate governance practices, the Company believes that its accountability and transparency will be improved thereby instilling confidence to shareholders and the public. Throughout the first quarter period, the Company has complied with the code provisions in the Corporate Governance Code (“CG Code”) set out in Appendix 15 of the GEM Listing Rules except for the deviation as disclosed below:

Code Provision of A.2.7 of the CG Code requires the chairman of the Board to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. As Dr. So Yu Shing, the chairman of the Board, is also an executive Director, the Company has deviated from this code provision as it is not applicable. The Board has continued to monitor and review the Company’s progress in respect of corporate governance practices to ensure compliance. Meetings were held throughout the first quarter period and where appropriate, circulars and other guidance notes were issued to Directors and senior management of the Company to ensure awareness to issues regarding corporate governance practices.

## **AUDIT COMMITTEE**

The Company established an audit committee of the Board (“Audit Committee”) with written terms of reference that clearly establish the Audit Committee’s authority and duties. The Audit Committee currently comprises 3 independent non-executive Directors, namely Mr. Law Man Sang, Mr. Chan Ngai Sang, Kenny and Ms. Lam Wai Yu.

The primary duties of the Audit Committee are to review the Company’s annual report and accounts, half-year report and quarterly reports and provide advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group.

The Group’s unaudited condensed consolidated first quarterly results for the three months ended 31 July 2017 have not been audited by the Company’s auditor, but have been reviewed by the audit committee which was of the opinion that the results complied with applicable accounting standards, the GEM Listing Rules and legal requirements and that adequate disclosure had been made.

On behalf of the Board  
**So Yu Shing**  
*Chairman*

Hong Kong, 12 September 2017