



**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)**

**Third Quarterly Report 2018/2019**

\* *For identification purpose only*

## **CHARACTERISTICS OF THE 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 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 “Directors”) of WLS 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 and its subsidiaries (together, the “Group”). 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 aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

The Board of Directors (the “Board”) of WLS Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial information of the Company and its subsidiaries (together the “Group”) for the three months and the nine months ended 31 January 2019 together with the comparative unaudited figures for the corresponding periods in 2018 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and nine months ended 31 January 2019

	Notes	Three months ended 31 January		Nine months ended 31 January	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue	3	53,963	41,359	137,897	112,150
Cost of sales		<u>(34,089)</u>	<u>(29,744)</u>	<u>(92,474)</u>	<u>(76,085)</u>
Gross profit		19,874	11,615	45,423	36,065
Other income	4	856	1,066	1,914	3,325
Other (losses) and gains	5	(3,718)	3,392	(26,792)	(79,132)
Operating and administrative expenses		<u>(12,498)</u>	<u>(12,417)</u>	<u>(35,359)</u>	<u>(39,714)</u>
Gain in fair value of investment properties		-	7,970	-	7,970
Gain on disposal of property, plant and equipment		22	238	22	576
Finance costs	6	<u>(2,446)</u>	<u>(1,670)</u>	<u>(6,417)</u>	<u>(4,829)</u>
Profit/(loss) before taxation		2,090	10,194	(21,209)	(75,739)
Taxation	7	<u>(386)</u>	<u>(1,231)</u>	<u>(1,083)</u>	<u>(3,544)</u>
Profit/(loss) for the period		<u>1,704</u>	<u>8,963</u>	<u>(22,292)</u>	<u>(79,283)</u>
Profit/(loss) for the period attributable to:					
Owners of the Company		2,181	10,458	(20,337)	(77,676)
Non-controlling interests		<u>(477)</u>	<u>(1,495)</u>	<u>(1,955)</u>	<u>(1,607)</u>
		<u>1,704</u>	<u>8,963</u>	<u>(22,292)</u>	<u>(79,283)</u>
Dividend	8	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Earnings/(loss) per share					
– basic	9	<u>HK0.015 cent</u>	<u>HK0.082 cent</u>	<u>(HK0.142 cent)</u>	<u>(HK0.608 cent)</u>
– diluted	9	<u>HK0.015 cent</u>	<u>HK0.075 cent</u>	<u>(HK0.135 cent)</u>	<u>(HK0.608 cent)</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the three months and nine months ended 31 January 2019*

	Three months ended 31 January		Nine months ended 31 January	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period	<b>1,704</b>	8,963	<b>(22,292)</b>	(79,283)
Other comprehensive (expense)/income:				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Fair value loss on available-for-sale investments	-	(3,163)	-	(49,615)
<i>Items that will not be reclassified to profit or loss:</i>				
Changes on fair value of equity investments at fair value through other comprehensive income	<b>(1,921)</b>	-	<b>(4,718)</b>	-
Other comprehensive (expense)/income for the period, net of tax	<b>(1,921)</b>	(3,163)	<b>(4,718)</b>	(49,615)
Total comprehensive (expense)/income for the period	<b>(217)</b>	5,800	<b>(27,010)</b>	(128,898)
Total comprehensive (expense)/income for the period attributable to:				
Owners of the Company	<b>260</b>	7,295	<b>(25,055)</b>	(127,291)
Non-controlling interests	<b>(477)</b>	(1,495)	<b>(1,955)</b>	(1,607)
	<b>(217)</b>	5,800	<b>(27,010)</b>	(128,898)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 January 2019

	Attributable to owners of the Company									
	Share capital	Share premium	Contributed surplus	Merger reserve	Share option reserve	Investment revaluation/ FVTOCI reserve	Accumulated losses	Total	Non-controlling interests	Total
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i> <i>(Note i)</i>	<i>HKS'000</i> <i>(Note ii)</i>	<i>HKS'000</i> <i>(Note iii)</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
At 1 May 2017 (Audited)	127,670	507,430	191,087	2,222	-	17,054	(59,337)	786,126	(3,869)	782,257
Loss for the period	-	-	-	-	-	-	(77,676)	(77,676)	(1,607)	(79,283)
Other comprehensive expense for the period	-	-	-	-	-	(49,615)	-	(49,615)	-	(49,615)
Total comprehensive expense for the period	-	-	-	-	-	(49,615)	(77,676)	(127,291)	(1,607)	(128,898)
Grant of share options	-	-	-	-	7,280	-	-	7,280	-	7,280
At 31 January 2018 (unaudited)	127,670	507,430	191,087	2,222	7,280	(32,561)	(137,013)	666,115	(5,476)	660,639
At 1 May 2018 (Audited)	143,670	560,230	191,087	2,222	7,280	(8,108)	(169,125)	727,256	(16,807)	710,449
Adjustments	-	-	-	-	-	-	(15,306)	(15,306)	-	(15,306)
At 1 May 2018 (restated)	143,670	560,230	191,087	2,222	7,280	(8,108)	(184,431)	711,950	(16,807)	695,143
Loss for the period	-	-	-	-	-	-	(20,337)	(20,337)	(1,955)	(22,292)
Other comprehensive expense for the period	-	-	-	-	-	(4,718)	-	(4,718)	-	(4,718)
Total comprehensive expense for the period	-	-	-	-	-	(4,718)	(20,337)	(25,055)	(1,955)	(27,010)
At 31 January 2019 (unaudited)	143,670	560,230	191,087	2,222	7,280	(12,826)	(204,768)	686,895	(18,762)	668,133

### Notes:

- i. 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.
- ii. 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.
- iii. The share option reserve of the Group represents the fair value of share options granted at the relevant grant dates and outstanding as at end of the reporting period.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 1. Corporate information

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and continued in Bermuda and its shares are listed on 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 head office and the principal place of business of the Company in Hong Kong is located at 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 and other services for construction and buildings work, provision of gondolas, parapet railings and access equipment installation and maintenance services, money lending business, securities brokerage and margin financing, securities investment business, and assets management business.

These 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 condensed consolidated financial statements of the Group for the nine months period ended 31 January 2019 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirement Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the “GEM Rules”).

The basis of preparation and accounting policies adopted in preparing these condensed consolidated financial statements are consistent with those adopted in the preparation of the Group’s audited annual financial statements for the year ended 30 April 2018, except for the adoption of the new and revised HKFRSs that have become effective for its accounting period beginning on 1 May 2018.

The adoption of the new and revised HKFRSs has no significant effect on these condensed consolidated financial statements.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective for the current accounting period of the Group.

The condensed consolidated financial statements have been prepared on the historical cost basis except for these financial assets designated at fair value through profit or loss and equity instruments at fair value through other comprehensive income.

### 3. Revenue

An analysis of the Group’s revenue for the period is as follows:

	Three months ended 31 January		Nine months ended 31 January	
	2019 (Unaudited) HK\$’000	2018 (Unaudited) HK\$’000	2019 (Unaudited) HK\$’000	2018 (Unaudited) HK\$’000
Contract revenue in respect of construction and buildings work for the provision of				
– scaffolding services	32,530	22,760	83,777	60,190
– fitting out services	7,882	6,962	17,548	20,437
– management contracting services	214	–	214	–
Gondolas, parapet railings and access equipment, installation and maintenance services	2,438	1,334	3,655	3,757
Loan interest income	10,109	10,113	30,003	27,320
Securities brokerage and margin financing	76	190	302	446
Assets management	714	–	2,398	–
	<b>53,963</b>	<b>41,359</b>	<b>137,897</b>	<b>112,150</b>

#### 4. Other income

	Three months ended 31 January		Nine months ended 31 January	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reversal of allowance for bad and doubtful debts	209	–	209	1,578
Rental income	179	122	533	419
Interest income	80	126	340	202
Sundry income	387	3	824	72
Dividend income	–	11	–	215
Foreign exchange gain, net	1	804	8	839
	<u>856</u>	<u>1,066</u>	<u>1,914</u>	<u>3,325</u>

#### 5. Other (losses) and gains

	Three months ended 31 January		Nine months ended 31 January	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fair value (loss)/gain on financial assets at fair value through profit or loss, net	(2,653)	3,392	(25,754)	(59,301)
Loss on disposal of an available-for-sale investment	–	–	–	(19,831)
Loss on disposal of an equity instrument at fair value through other comprehensive income	(76)	–	(76)	–
Loss on disposal of financial assets at fair value through profit or loss	(989)	–	(233)	–
Provision of allowance for expected credit losses	–	–	(729)	–
	<u>(3,718)</u>	<u>3,392</u>	<u>(26,792)</u>	<u>(79,132)</u>

#### 6. Finance costs

	Three months ended 31 January		Nine months ended 31 January	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank borrowings and bank overdrafts	651	563	1,816	1,516
Interest on other loan and other borrowings	1,768	1,075	4,512	3,209
Interest on obligations under finance leases	27	32	89	104
	<u>2,446</u>	<u>1,670</u>	<u>6,417</u>	<u>4,829</u>

## 7. Taxation

Taxation comprises:

	Three months ended 31 January		Nine months ended 31 January	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong Profits Tax				
– current period	<b>386</b>	1,231	<b>1,083</b>	3,544

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 (nine months ended 31 January 2018: 16.5%).

On 21 March 2018, the Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Tax Amendment”), which introduces a two-tiered profits tax regime, was substantively enacted. Under the two-tiered profits tax regime, the first HK\$2 million of assessable profits of qualifying corporations will be taxed at 8.25% with effect from the year assessment 2018/2019. Profits above HK\$2 million will continue to be subject to the tax rate of 16.5%. The two-tiered profits tax regime is only applicable to one of the Group’s HK subsidiary under the “Connected Entities” concept as stipulated in the Tax Amendment.

## 8. Dividend

The Board does not recommend the payment of any dividend for the nine months ended 31 January 2019 (nine months ended 31 January 2018: Nil).

## 9. Earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the unaudited net profit/(loss) attributable to the owners of the Company for the three months and nine months ended 31 January 2019 approximately HK\$2,181,000 and (HK\$20,337,000) respectively (unaudited net loss attributable to the owners of the Company for the three months and nine months ended 31 January 2018: approximately HK\$10,458,000 and HK\$77,676,000 respectively). The weighted average numbers of ordinary shares for the purpose of basic and diluted earnings/(loss) per share is as follows:

	Three months ended 31 January		Nine months ended 31 January	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating earnings/(loss) per share				
Basic	<b>14,367,101,072</b>	12,767,101,072	<b>14,367,101,072</b>	12,767,101,072
Effect of dilutive potential ordinary shares on share options	<b>614,518,942</b>	1,149,030,000	<b>721,090,059</b>	–
Diluted	<b>14,981,620,014</b>	13,916,131,072	<b>15,088,191,131</b>	12,767,101,072
	<i>HK Cent</i>	<i>HK Cent</i>	<i>HK Cent</i>	<i>HK Cent</i>
Earnings/(loss) per share				
– Basic	<b>0.015</b>	0.082	<b>(0.142)</b>	(0.608)
– Diluted	<b>0.015</b>	0.075	<b>(0.135)</b>	(0.608)



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

For the nine months ended 31 January 2019 (herein referred to as the “reporting period”), the revenue of the Group amounted to approximately HK\$137.9 million (2018: HK\$112.2 million), representing an increase of approximately 23% compared to the corresponding period in 2018. Net loss attributable to owners of the Company for the nine months ended 31 January 2019 was approximately HK\$20.3 million (2018: HK\$77.7 million). The significant increase in revenue was mainly due to the increase in contract revenue generated from scaffolding business during the reporting period. Also, the significant decrease in loss was mainly due to the decrease in loss incurred in the Group’s securities investment portfolios by approximately HK\$53.1 million during the reporting period. During the reporting period, our money lending business continued to contribute stable revenue to the Group and served as one of the major income sources of the Group.

### Scaffolding Services

In recent years, a number of transportation and infrastructure projects have been carried out by the Hong Kong Government to help boost the construction and development of Hong Kong’s society. To this end, a multi-pronged strategy has been adopted for maintaining a steady and sustainable land supply in order to meet the demand for private housing, which has, in turn, stimulated the positive growth trend in the construction industry during the period.

However, a primary concern across the entire industry during the past several years has been that construction workers, especially experienced personnel, have been in short supply, causing higher labour costs for employers. As a result, profit margins throughout the industry were lower during the period in addition to intensified competition within the scaffolding sector itself. However, it is worth mentioning that the Group’s patented scaffolding system known as “Pik-Lik” played a crucial role in saving manpower hours and achieving higher efficiency.

Leveraging the widespread recognition of our service quality and the strong relationships we have nurtured with our clientele, the Group continued to receive positive feedback and support as one of the leading scaffolding service providers in Hong Kong. During the period, we provided scaffolding services for 51 ongoing projects, 33 of which were completed on schedule. We also successfully secured 9 new contracts. The overall results for the division during the reporting period had significant growth with the revenue of HK\$83.8 million, an increase of 39% compared to the same period in 2018.

### Fitting out Services

Regarding our fitting out business division, the Group recorded segment revenues of approximately HK\$17.6 million with 9 new contracts secured during the reporting period.

Sense Key Design Holdings Limited (“Sense Key”), the Group’s 51% owned subsidiary, which provides fitting-out services targeting commercial institutions and luxury residence end-users continued to generate substantial revenues for the Group along with high profit margins. The Group has also extended its scope of services to include ceiling work and to date we have received encouraging feedback from clients.

Due to the keen competition of fitting out services, comparatively less contract revenue was received during the reporting period. The Group will continue to proactively to acquiring new contracts.

## **Gondolas, Parapet Railings, Access Equipment Installation and maintenance Services**

In this segment, the Group mainly generated revenues from temporary gondola fleet rental income during the period. The Access Equipment division has also been developing in a stable manner with revenue amounting to approximately HK\$3.7 million, a decrease of approximately 3% compared to the same period last year. Moreover, 16 new projects were secured during the reporting period.

## **Management Contracting Services**

The Group's Management Contracting Division generate revenue of approximately HK\$0.2 million for the nine months period. The Group is actively seeking for potential projects and is prudently optimistic about this business segment and will continue to actively approach prospective clients.

## **Money Lending Business**

As for money lending operations, the Group has secured a number of short-term and long-term loan agreements and generated a revenue of approximately HK\$30.0 million during the reporting period, representing approximately 10% slightly grow compared with last period and accounted for approximately 22% of total revenue. The principal amount of the loans ranged from HK\$1.5 million to HK\$30 million with interest rates set between 6.5% and 24% per annum during the reporting period. In view of the this segment's considerable returns, the money lending segment has already become the cash cow and profit driver of the Group's overall business.

## **Securities Investment Business**

As mentioned above, the Group's securities investment business continued to record a loss during the reporting period, which was mainly due to the volatility of the stock market in Hong Kong. However, the loss in this business significantly decreased by approximately 67% compared with the same period.

The Group will continue to focus on Hong Kong-listed securities with strict risk control. Due diligence was conducted with every possible investment and each was taken into serious consideration to ensure quality risk control and to maximise shareholders' benefits.

The Group also foresees that the global economy will continue to be unstable in year 2018/2019 as a result of the threat of trade war between China and the United States ("US"). The investment committee will continue to monitor the Group's investment portfolio closely in order to maximum shareholders' returns.

## **Securities Brokerages and Margin Financing Business**

The Group's securities brokerage and margin financing operations was operated by OX Financial Securities Limited ("OX Financial"), its indirect wholly-owned subsidiary. OX Financial was granted the licence to conduct type 1 (dealing in securities) regulated activity by the Securities and Futures Commission of Hong Kong ("SFC") in prior years.

This business segment contributed approximately HK\$0.3 million to the Group's revenue for the reporting period. The Group will continue to place more efforts and resources on developing its business in the financial service sector.

On 8 February 2019, SFC granted the licences to conduct type 4 (Advising on Securities) and type 9 (Asset Management) regulated activities to OX Financial Assets Management Limited ("OX Assets Management"), an indirect wholly-owned subsidiary of the Company. OX Assets Management will commence such businesses in foreseeable future.

## **Assets Management Business**

Following the acquisition of the entire issue share capital of Blue Pool Ventures Limited on 21 March 2018, the holding company of Mass Fidelity Asset Management Limited, a licensed insurance broker and registered MPF Corrate Intermediary in Hong Kong, the Group had commenced the business of assets management in March 2018. For the reporting period, the assets management business recorded a revenue of approximately HK\$2.4 million.

## **Business Outlook**

Based on the HKSAR's land supply forecast, a total of 460,000 residential units are expected to be added to the market by 2027, 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 17 construction projects utilising the Pik Lik scaffolding system, and these projects are still ongoing.

Furthermore, the Group will 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 and nine months ended 31 January 2019, revenue increased by approximately 31% and 23% respectively as compared with the corresponding periods in the preceding financial year. To maintain a balanced business portfolio, the management of the Group has been actively looking for other business opportunities and possible geographic diversification in recent years. Projects in the scaffolding business and money lending business contributed substantial revenue to maintain the financial stability of the Group in anticipation of future growth.

During the reporting period, operating and administrative expenses decreased from approximately HK\$39.7 million to approximately HK\$35.4 million. Finance costs increased from approximately HK\$4.8 million to approximately HK\$6.4 million. The decrease in operating and administrative expenses was mainly due to no share based payments incurred in the reporting period while the share based payments of approximately HK\$7.3 million in respect of share options granted was incurred in last correspondence period. The Group continued to adopt its policy of vigilant cost control for the ensuing periods. 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 January 2019, the Group had shareholders' equity of approximately HK\$686.9 million (30 April 2018: approximately HK\$727.3 million).

## SIGNIFICANT INVESTMENTS

As at 31 January 2019, the equity instruments at fair value through other comprehensive income ("FVTOCI") of the Group amounted to approximately HK\$4.7 million and financial assets at fair value through profit or loss ("FVTPL") of the Group amounted to approximately HK\$43.5 million. Given that securities investment is one of the Group's ordinary principal businesses, the Directors considered that (i) investments with a carrying amount that account for more than 5% of the Group's unaudited net assets as at 31 January 2019; (ii) investments with a carrying amount that account for more than 5% of the Group's total securities investment as at 31 January 2019; or (iii) investments which recorded realised or unrealised gain/(loss) or impairments or increase/(decrease) in FVTOCI reserve of over HK\$5 million during the reporting period as significant investments.

Description of investments	Notes	Carrying amount as at 1 May 2018 HK\$'000	Acquisition during the period HK\$'000	Disposal during the period HK\$'000	Increase/ (decrease) in investment revaluation/ FVTOCI reserve HK\$'000	Fair value gain/(loss) and gain/(loss) on disposal recognised in profit or loss HK\$'000	Carrying amount as at 31 January 2019 HK\$'000	Percentage to	Percentage to	Percentage to
								the Group's unaudited net assets as at 31 January 2019	the Group's unaudited total assets as at 31 January 2019	the Group's total securities investment as at 31 January 2019
<b>Equity instruments at FVTOCI</b>										
Capital VC Limited ("Capital VC")										
(stock code: 2324)	(a)	10,738	-	-	(7,564)	-	3,174	0.48%	0.37%	6.59%
China Kingstone Mining Holdings Limited ("CKMH")										
(stock code: 1380)	(b)	6,493	-	(10,043)	3,626	(76)	-	-	-	-
Equity securities listed in Hong Kong	(c)	1,690	-	-	(780)	-	910	0.14%	0.11%	1.89%
Unlisted investment, at cost		561	-	-	-	-	561	0.08%	0.07%	1.17%
		<u>19,482</u>	<u>-</u>	<u>(10,043)</u>	<u>(4,718)</u>	<u>(76)</u>	<u>4,645</u>	<u>0.70%</u>	<u>0.55%</u>	<u>9.65%</u>
<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)										
	(d)	28,800	-	-	-	(14,181)	14,619	2.19%	1.68%	30.37%
China Investments and Finance Group Limited ("CIFL")										
(stock code: 1226)	(e)	5,980	-	-	-	(2,300)	3,680	0.55%	0.42%	7.65%
Grandshores Technology Group Limited ("GTGL") (stock code: 1647)										
	(f)	-	8,586	-	-	(96)	8,490	1.27%	0.98%	17.64%
Hao Wen Holdings Limited ("Hao Wen") (stock code: 8019)										
	(g)	8,313	-	-	-	(4,375)	3,938	0.59%	0.45%	8.18%
Equity securities listed in Hong Kong	(h)	20,679	19,386	(25,270)	-	(5,035)	9,760	1.46%	1.12%	20.28%
Unlisted investment fund at fair value	(i)	-	3,000	-	-	-	3,000	0.45%	0.35%	6.23%
		<u>63,772</u>	<u>30,972</u>	<u>(25,270)</u>	<u>-</u>	<u>(25,987)</u>	<u>43,487</u>	<u>6.51%</u>	<u>5.00%</u>	<u>90.35%</u>
		<u>83,254</u>	<u>30,972</u>	<u>(35,313)</u>	<u>(4,718)</u>	<u>(26,063)</u>	<u>48,132</u>	<u>7.21%</u>	<u>5.55%</u>	<u>100.00%</u>

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.

As at 31 January 2019, 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 2018, Capital VC expects 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 on 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 sales of marble and marble related products in China.

During the reporting period, the Group disposed all of 84,320,000 shares of CKMH due to rebound of its share price. Such disposal resulted in a fair value loss of approximately HK\$0.1 million during the reporting period.

- (c) As at 31 January 2019, equity securities listed in Hong Kong under the category of equity instruments at FVTOCI represented the Group’s investments in two companies whose shares are listed on the Main Board of the Stock Exchange. Each of such investments had a carrying amount that account for (i) less than 5% of the Group’s unaudited net assets as at 31 January 2019 and (ii) less than 5% of the Group’s total securities investment as at 31 January 2019, and each of such investment did not record a realised or unrealised gain/(loss) or impairments or increase/(decrease) in FVTOCI reserve of over HK\$5 million during the reporting period.

- (d) This investment represented the subscription of CB of China e-Wallet in the total amount of HK\$15,000,000 with an interest rate of 2.5% per annum principal amounts and the conversion price being HK\$0.25 per conversion share. The CB will mature 36 months from the issuing date (i.e. 14 October 2016). As at 31 January 2019, the fair value of the CB subscribed by the Group was HK\$14.6 million 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 RFID 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 2017, China e-Wallet Group has 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.

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

As at 31 January 2019, 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 2018, CIFL expects that (i) the global market will continue to face greater challenges and be full of uncertainty, developed economies are beginning to have signs of recovery, but the developing economies also have trends of adjustment; and (ii) 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.

- (f) GTGL and its subsidiaries (collectively referred to as the “GTGL Group”) were principally engaged in providing integrated building service, undertaking building and construction works, and blockchain technology development and application businesses.

As at 31 January 2019, the Group held 9,540,000 shares of GTGL, which represented approximately 0.92% of total issued share capital of GTGL at the same date.

As disclosed in the interim report of GTGL for the six months ended 30 September 2018, the GTGL Group will devote more resources in developing new business lines including operation, maintenance and management of data centres and other high performance data processing facilities and equipment in relation to blockchain technologies, digital assets trading platform operation and blockchain strategic advisory services provision.

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

As at 31 January 2019, 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 first quarterly report of Hao Wen for the three months ended 31 March 2018, the Hao Wen Group will (i) devote its existing resources to expand the processing and trading of electronic parts business while keeping steady in the money lending business; and (ii) explore other potential investment opportunities in order to broaden its income sources.

- (h) Equity securities listed in Hong Kong under the category of financial assets at FVTPL represented the Group’s investments in over twenty companies whose shares were listed on the Main Board or GEM of the Stock Exchange during the reporting period. Each of such investments (i) had a carrying amount that account for less than 5% of the Group’s unaudited net assets as at 31 January 2019 and less than 5% of the Group’s total securities investment as at 31 January 2019, and did not record over HK\$5 million of realised or unrealised gain/(loss) during the reporting period.

- (i) The unlisted investment fund was acquired during the reporting period and was held for an identified long term strategic propose and the Group does not intent to dispose them in the foreseeable future. The fair value of this fund have been determined by reference to the quotation provided by the fund manager of this fund as at 31 January 2019.

The Directors expect that the stock market in Hong Kong remains to be volatile in 2019 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, the threat of trade war between the US and China, 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 during the reporting period.

### **Material acquisitions and disposals**

There were no other material acquisitions and disposals of subsidiaries and affiliated companies by the Group during the period under review.

### **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 of directors of the Company (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.

Date of grant	Exercisable period	Exercise price per shares <i>HK\$</i>	Outstanding at 1 May 2018	Number of share options				Outstanding as at 31 January 2019
				Granted during the period	Lapsed during the period	Cancelled during the period	Exercised during the period	
Consultants	15 September 2017 to 28 September 2019	0.0186	1,149,030,000	-	-	-	-	1,149,030,000

### Pre-emptive rights

There is no provision for pre-emptive rights under the Company's by law 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 nine months ended 31 January 2019.

### 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 nine months period or at any time during the nine months ended 31 January 2019.



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

As at 31 January 2019, 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	Capacity	Number of ordinary shares held	Approximate percentage of the issued share capital of the Company as at 31 January 2019
Dr. So Yu Shing	Beneficial owner	3,320,000	
	Interest of spouse ( <i>note</i> )	3,320,000	
		<hr/> 6,640,000	0.05%
Ms. Lai Yuen Mei, Rebecca	Beneficial owner	3,320,000	
	Interest of spouse ( <i>note</i> )	3,320,000	
		<hr/> 6,640,000	0.05%
Mr. Kong Kam Wang	Beneficial owner	1,778,000	0.01%
Mr. So Wang Chun, Edmond	Beneficial owner	800,000	0.01%

*Note:* Ms. Lai Yuen Mei, Rebecca is the spouse of 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 January 2019.

## SUBSTANTIAL SHAREHOLDERS' AND OTHERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 January 2019, 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	Number of Shares held	Approximate percentage of the issued share capital of the Company as at 31 January 2019
Avant Capital Management (Hong Kong) Limited	Investment manager	1,793,140,000 ( <i>note a</i> )	12.48%
Avant Capital Eagle Fund	Investment manager	1,415,140,000 ( <i>note a</i> )	9.85%
Leung Wai Ho	Beneficial owner	1,600,000,000 ( <i>note b</i> )	11.14%
Chong Man San, Denise	Beneficial owner	1,600,000,000 ( <i>note b</i> )	11.14%

#### Notes:

- (a) Such Shares include interest in 1,415,140,000 Shares held by Avant Capital Eagle Fund and 378,000,000 Shares held by Avant Capital SPC-Avant Capital Dragon Fund SP, both being wholly-owned subsidiaries of Avant Capital Management (HK) Limited; and
- (b) Ms. Chong Man San Denise is the spouse of Mr. Leung Wai Ho.

Save as disclosed above, as at 31 January 2019, 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 nine months ended 31 January 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## 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 nine months 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 half year 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.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the nine months ended 31 January 2019, the Company had adopted 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
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.

## **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, Ms. Lam Wai Yu and Mr. Lo Ka Ki.

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 third quarterly results for the nine months ended 31 January 2019 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.

## **SUFFICIENCY OF PUBLIC FLOAT**

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

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

Hong Kong, 13 March 2019

*As at the date of this report, the Board comprises Dr. So Yu Shing (Chairman and Executive Director), Mr. Kong Kam Wang (Executive Director and Chief Executive Officer), Ms. Lai Yuen Mei, Rebecca (Executive Director), Mr. So Wang Chun, Edmond (Executive Director), Mr. Yuen Chun Fai (Executive Director), Mr. Law Man Sang (Independent Non-executive Director), Ms. Lam Wai Yu (Independent Non-executive Director) and Mr. Lo Ka Ki (Independent Non-executive Director).*