



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 2020/2021

* *For identification purpose only*

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This report, for which the directors ("Directors") of WLS Holdings Limited ("Company" or "WLS") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM ("GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; (2) 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 2020

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 2020 together with the unaudited comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Three months ended 31 July	
		2020	2019
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	3	32,299	38,800
Cost of sales		(16,164)	(22,658)
		<hr/>	<hr/>
Gross profit		16,135	16,142
Other income	4	1,067	311
Other gains and (losses)	5	(5,611)	(9,984)
Operating and administrative expenses		(9,880)	(8,797)
Finance costs	6	(2,227)	(2,124)
		<hr/>	<hr/>
Loss before taxation		(516)	(4,452)
Taxation	7	(731)	(679)
		<hr/>	<hr/>
Loss for the period from continuing operations		(1,247)	(5,131)
		<hr/>	<hr/>
Discontinued operation			
Loss for the period from discontinued operation	10	(1,718)	(1,240)
		<hr/>	<hr/>
Loss for the period		(2,965)	(6,371)
		<hr/> <hr/>	<hr/> <hr/>
Loss for the period attributable to owners of the Company:			
– from continuing operations		(1,432)	(5,044)
– from discontinued operation		(1,718)	(1,240)
		<hr/>	<hr/>
		(3,150)	(6,284)
Loss for the period attributable to non-controlling interests:			
– from continuing operations		185	(87)
		<hr/>	<hr/>
		(2,965)	(6,371)
		<hr/> <hr/>	<hr/> <hr/>
From continuing and discontinued operations			
Loss per share – basic and diluted	9	(HK\$0.022 cent)	(HK\$0.044 cent)
		<hr/>	<hr/>
From continuing operations			
Loss per share – basic and diluted		(HK\$0.010 cent)	(HK\$0.035 cent)
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended 31 July	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	(2,965)	(6,371)
Other comprehensive expense:		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value loss of equity instruments at fair value through other comprehensive income ("FVTOCI")	(878)	(1,011)
Other comprehensive expense for the period, net of taxation	(878)	(1,011)
Total comprehensive expense for the period	(3,843)	(7,382)
Total comprehensive expense for the period attributable to owners of the Company:		
– from continuing operations	(2,310)	(6,055)
– from discontinued operation	(1,718)	(1,240)
	(4,028)	(7,295)
Total comprehensive expense attributable to non-controlling interests:		
– from continuing operations	185	(87)
	(3,843)	(7,382)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 July 2020

	Attributable to the owners of the Company									
	Share capital	Share premium	Contributed surplus	Merger reserve	Share option reserve	FVTOCI reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000 (Note c)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 May 2019 (Audited)	143,670	560,230	191,087	2,222	7,280	(36,043)	(222,407)	646,039	(11,409)	634,630
Loss for the period	-	-	-	-	-	-	(6,284)	(6,284)	(87)	(6,371)
Fair value loss on equity instruments at FVTOCI	-	-	-	-	-	(1,011)	-	(1,011)	-	(1,011)
Total comprehensive expense for the period	-	-	-	-	-	(1,011)	(6,284)	(7,295)	(87)	(7,382)
At 31 July 2019 (Unaudited)	<u>143,670</u>	<u>560,230</u>	<u>191,087</u>	<u>2,222</u>	<u>7,280</u>	<u>(37,054)</u>	<u>(228,691)</u>	<u>638,744</u>	<u>(11,496)</u>	<u>627,248</u>

	Attributable to the owners of the Company									
	Share capital	Share premium	Contributed surplus	Merger reserve	Share option reserve	FVTOCI reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000 (Note c)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 May 2020 (Audited)	143,670	560,230	191,087	2,222	2,801	(38,366)	(324,015)	537,629	(13,280)	524,349
Loss for the period	-	-	-	-	-	-	(3,150)	(3,150)	185	(2,965)
Fair value loss on equity instruments at FVTOCI	-	-	-	-	-	(878)	-	(878)	-	(878)
Total comprehensive (expense)/income for the period	-	-	-	-	-	(878)	(3,150)	(4,028)	185	(3,843)
At 31 July 2020 (Unaudited)	<u>143,670</u>	<u>560,230</u>	<u>191,087</u>	<u>2,222</u>	<u>2,801</u>	<u>(39,244)</u>	<u>(327,165)</u>	<u>533,601</u>	<u>(13,095)</u>	<u>520,506</u>

Notes:

- 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.
- 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.
- 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:

1. General 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 GEM of 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, fitting out and other auxiliary services for construction and buildings work, money lending business, securities investment business and assets management 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

Basis of Preparation

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements under the GEM Listing Rules. The unaudited quarterly financial statements should be read in conjunction with the annual report for the year ended 30 April 2020.

The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 30 April 2020. The adoption of the new and revised HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current and prior periods.

3. Revenue

	Three months ended 31 July	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers from continuing operations:		
Contract revenue in respect of scaffolding, filing out and other auxiliary services for construction and buildings work	19,906	27,750
Assets management business	468	510
	<u>20,374</u>	<u>28,260</u>
Revenue from other sources:		
Loan interest income	11,925	10,540
	<u>11,925</u>	<u>10,540</u>
Total revenue from continuing operations	<u><u>32,299</u></u>	<u><u>38,800</u></u>
	Three months ended 31 July	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition from continuing operations:		
Over time	20,374	28,260
	<u><u>20,374</u></u>	<u><u>28,260</u></u>

Revenue from contracts with customers from discontinued operation of securities brokerage and margin financing business for the period ended 31 July 2020 amounted to HK\$53,000 (31 July 2019: HK\$168,000) are recognised at a point in time.

4. Other Income

	Continuing operations		Discontinued operation		Consolidated	
	Three months ended 31 July		Three months ended 31 July		Three months ended 31 July	
	2020	2019	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Rental income	185	144	-	-	185	144
Sundry income	823	145	-	-	823	145
Interest income	56	22	-	8	56	30
Foreign exchange gains, net	3	-	-	-	3	-
	<u>1,067</u>	<u>311</u>	<u>-</u>	<u>8</u>	<u>1,067</u>	<u>319</u>

5. Other gains and (losses)

	Continuing operations		Discontinued operation		Consolidated	
	Three months ended 31 July		Three months ended 31 July		Three months ended 31 July	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Fair value loss on financial assets at FVTPL, net	(5,607)	(10,788)	-	-	(5,607)	(10,788)
(Loss) gain on disposal of financial assets at FVTPL	(4)	604	-	-	(4)	604
- Net impairment losses reversed arising from ECL on contract assets	-	200	-	-	-	200
	<u>(5,611)</u>	<u>(9,984)</u>	<u>-</u>	<u>-</u>	<u>(5,611)</u>	<u>(9,984)</u>

6. Finance costs

	Continuing operations		Discontinued operation		Consolidated	
	Three months ended 31 July		Three months ended 31 July		Three months ended 31 July	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on bank borrowings and bank overdrafts	363	633	-	-	363	633
Interest on other loan and other borrowings	1,756	1,469	-	-	1,756	1,469
Interest on obligations under finance leases	-	22	-	-	-	22
Interest on lease liabilities	108	-	-	-	108	-
	<u>2,227</u>	<u>2,124</u>	<u>-</u>	<u>-</u>	<u>2,227</u>	<u>2,124</u>

7. Taxation

	Continuing operations		Discontinued operation		Consolidated	
	Three months ended 31 July		Three months ended 31 July		Three months ended 31 July	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Taxation comprises:						
Hong Kong Profits Tax						
Current year charged	731	679	-	-	731	679
	<u>731</u>	<u>679</u>	<u>-</u>	<u>-</u>	<u>731</u>	<u>679</u>

8. Dividend

The Board does not recommend the payment of any dividend for ordinary shareholder of the Company for the three months ended 31 July 2020, nor has any dividend been proposed since the period ended 31 July 2019.

9. Loss per share

Basic and diluted loss per share

(a) From continuing and discontinued operations

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

	Three months ended 31 July	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Loss for the period attributable to owners of the Company, for the purpose of basic and diluted loss per share	<u>3,150</u>	<u>6,284</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic loss per share	14,367,101,072	14,367,101,072
Effect of dilutive potential ordinary shares in respect of share options	<u>250,202,029</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u><u>14,617,303,101</u></u>	<u><u>14,367,101,072</u></u>

No diluted loss per share is presented for both periods since the assumed exercise of the share options would result in a decrease in diluted loss per share.

(b) From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	Three months ended 31 July	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Loss for the period from continuing operations	<u>1,432</u>	<u>5,044</u>

The denominators used are the same as those detailed above for both basic and diluted loss per share.

No diluted loss per share from continuing operations is presented for both periods since the assumed exercise of the share options would result in a decrease in diluted loss per share.

(c) From discontinued operation

For the period ended 31 July 2020, basic loss per share from discontinued operation was HK\$0.012 cents per share (31 July 2019: HK\$0.009 cents per share), which were calculated based on the loss from discontinued operation for the period ended 31 July 2020 of HK\$1,718,000 (2019: HK\$1,240,000) and the denominators detailed above.

10. Loss for the period from Discontinued Operation

On 11 December 2019, the Company as vendor entered into a sale and purchase agreement (the “S&P Agreement”) with Mr. Tsang Pui Lan Patrick (the “Buyer”) as purchaser, being independent third party of the Group, pursuant to which the Company conditionally agreed to sell, and the Buyer conditionally agreed to buy the entire issued share capital of two wholly-owned subsidiaries of the Company, namely as Bright Advantage Limited (“Bright Advantage”) and OX Financial Group Limited (“OX Financial Group”) together with their respective wholly-owned subsidiaries (the “Disposed Subsidiaries”) which were engaged in the securities brokerage and margin financing business (the “Disposal”), for a cash consideration of HK\$7,000,000 plus the net asset value of Disposed Subsidiaries as at completion date.

Bright Advantage held the entire issued share capital of OX Financial Securities Limited (“OX Securities”). OX Securities is a corporation licensed under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”) and permitted to carry out type 1 (dealing in securities) regulated activity. OX Financial Group held the entire issued share capital of OX Financial Assets Management Limited (“OX Assets Management”). OX Assets Management is a corporation licensed under the SFO and permitted to conduct type 4 (advising on securities) and type 9 (asset management) regulated activities.

For the period ended 31 July 2020, the Disposal is not yet completed and completion is pending fulfilment of the conditions precedent as stated in the S&P Agreement, which include having obtained the approval of the Securities and Futures Commission of Hong Kong (“SFC”). Comparative figures in the unaudited condensed consolidated statement of profit or loss and other comprehensive income have been restated to disclose separately the profit or loss from discontinued operation.

The loss for the period from discontinued operation is set out below:

	Three months ended 31 July	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	53	168
Other income	210	8
Operating and administrative expenses	(1,920)	(1,416)
Finance costs	(61)	–
	<hr/>	<hr/>
Loss for the period from discontinued operation	(1,718)	(1,240)

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the three months ended 31 July 2020 (herein referred to as the “Reporting Period”), the revenue of the Group amounted to approximately HK\$32.3 million (For the same period of 2019: HK\$38.8 million), representing a decrease of approximately 16.8% compared to the corresponding period in 2019. Net loss attributable to owners of the Company from continuing operations during the Reporting Period was approximately HK\$1.4 million (For the same period of 2019: HK\$5.0 million). The decrease in revenue was mainly due to the decrease in contract revenue generated from scaffolding, fitting out and other auxiliary services for construction and buildings work during the Reporting Period. Also, the decrease in net loss attributable to owners of the Company from continuing operations was mainly due to the decrease in loss incurred in the Group’s securities investment portfolios by approximately HK\$4.4 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, Fitting out and Other Auxiliary Services for Construction and Buildings Work

The scaffolding, fitting out and other auxiliary services for construction and buildings work was the largest business segment during the Reporting Period. This segment includes scaffolding services, fitting out services and other auxiliary services for construction and buildings work. During the Reporting Period, revenue from this segment was approximately HK\$19.9 million, representing a significant decrease of approximately HK\$7.8 million as compared to the corresponding period in 2019, due to less new construction projects being approved by the Government of the HKSAR as its operation has been limited by various measures for prevention of the spread of coronavirus disease 2019 (“COVID-19”), and the slowing down in the progress of existing construction projects caused by (i) delay in the delivery process of construction materials imported from mainland China as a result of the outbreak of COVID-19 and enhanced border control for prevention of disease; and (ii) less available workers in the market as a result of travel restrictions.

Scaffolding Services

In recent years, a number of large-scale infrastructure projects have been carried out by the HKSAR to boost the construction industry and well-being of the society. For this purpose, a multi-pronged strategy has been adopted by the government to maintain a steady and sustainable land supply with the aim to meet the continuing housing needs.

On the other hand, in the past few years, the entire scaffolding industry encountered the major difficulty of shortage in supply of skilled workers and experienced personnel. Such shortage resulted in rising labour costs and diminishing profit margins throughout the industry, which further intensified competition within the scaffolding sector. However, it is worth mentioning that the Group’s patented scaffolding system, which is known as “Pik-Lik”, has played a crucial role in saving manpower and enhancing efficiency in the industry.

Leveraging the widespread recognition of the impeccable quality of services and the strong relationships nurtured with clientele, the Group receives positive feedback and prominent business support and takes pride in being one of the leading scaffolding service providers in Hong Kong. During the Reporting Period, the Group provided scaffolding services to 37 ongoing projects, 17 of which were completed on schedule and 9 new contracts were awarded.

Fitting out Services

For the fitting out services, the Group mainly provided fitting out services to commercial institutions and luxury residence end-users during the Reporting Period. The Group has also extended its scope of services to include ceiling work and to date, it has been receiving encouraging feedback from its clients. The competition of fitting out services is keen. The Group will continue to proactively acquire new contracts.

Other Auxiliary Services for Construction and Buildings Work

For other auxiliary services for construction and buildings work, the Group mainly provided gondolas, parapet railings and access equipment installation and maintenance services. The Group has been actively cultivating its gondolas rental business over the past several years and has gained positive 'worth-of-mouth' in the market. This has enabled the Group to secure a stable number of new contracts despite the competitive local market.

Money Lending Business

Under the economic impacts from the outbreak of COVID-19 since the end of 2019, there is an increasing trend for more corporations and individuals to obtain loans for financing to reduce the cash-flow pressure on them and lessen such local economic impacts of the outbreak. With relatively attractive interest returns on short-term and long-term loans during the Reporting Period, the Group recorded an increase of the revenue in this segment during the Reporting Period.

The business segment generated an increase of revenue to the Group and the Group recorded a turnover of approximately HK\$11.9 million during the Reporting Period (For the same period of 2019: approximately HK\$10.5 million). The principal amount of the loans granted ranged from HK\$0.2 million to HK\$25.0 million with interest rates ranging from 7.5% to 18% per annum during the Reporting Period.

Securities Investment Business

In order to capture possible returns from the financial market, the Group has formed the investment committee in year 2015/2016 and continued investing in Hong Kong-listed securities during the Reporting Period. Due diligence was conducted on every contemplated investment and each investment was taken into serious consideration to ensure quality risk control and maximise shareholders' benefits.

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 43.8% compared to the corresponding period in 2019.

The Group foresees that the global economy will continue to be unstable in year 2020/2021 as a result of the COVID-19 pandemic, the threat of trade war and the technology war between China and the US. The investment committee will continue to monitor the Group's investment portfolio closely in order to maximum shareholders' returns.

Assets Management Business

Following the acquisition of the entire issued share capital of Blue Pool Ventures Limited in 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\$468,000 representing a decrease of approximately 8.2% compared to the corresponding period in 2019 due to the decline of Hong Kong economy.

Disposal of OX Securities and OX Assets Management

On 11 December 2019, the Company as vendor entered into the S&P Agreement in respect of the Disposal with Mr. Tsang Pui Lan Patrick, an independent third party (i.e. the Buyer), as purchaser, pursuant to which the Company conditionally agreed to (i) sell the entire issued share capital of Bright Advantage and OX Financial Group, each a wholly-owned subsidiary of the Company; and (ii) assign the benefit of the loans owing by each of Bright Advantage and OX Financial Group to the Company as at completion of the S&P Agreement, to the Purchaser at a consideration as determined in accordance with the terms of the S&P Agreement.

Bright Advantage and OX Financial Group respectively own the entire issued share capital of OX Securities, a company licensed to carry out type 1 (dealing in securities) regulated activity under the SFO (Chapter 571 of the Laws of Hong Kong), and OX Assets Management, a company licensed to conduct type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO.

The completion of the Disposal is conditional upon completion of the conditions precedent as stated in the S&P Agreement being satisfied (or being waived) on or before the long stop date, which is the date falling on expiry of 12 calendar months after the date of the S&P Agreement, or such later date as the Purchaser and the Company may agree in writing. The aforesaid conditions precedent require, among other matters, the approval of the SFC for the Purchaser (and his nominees (if any)) to become substantial shareholder(s) of OX Financial Group and Bright Advantage under the SFO having been obtained. As at the date of this report, such approval has not been obtained and the Disposal has not yet been completed. Details of the Disposal are set out in the announcement of the Company dated 11 December 2019.

After completion of the Disposal, each of Bright Advantage, OX Financial Group, OX Securities and OX Assets Management will cease to be a subsidiary of the Company and the Group will cease its business in the segment of securities brokerage and margin financing.

The operating results of the segment of securities brokerage and margin financing was reclassified as discontinued operation during the Reporting Period which are set out in note 10 to the unaudited condensed consolidated financial statements.

IMPACT CAUSED BY THE OUTBREAK OF COVID-19

Our business operations and financial conditions are affected by the outbreak of COVID-19 for the Reporting Period. Below are the relevant analyses for our two largest business segments – scaffolding, fitting out and other auxiliary services for construction and buildings work and money lending:

Scaffolding, Fitting Out and Other Auxiliary Services for Construction and Buildings Work

In the first half of 2020, since the operation of the Government of HKSAR has been limited by various measures for prevention of the spread of COVID-19, the number of new construction projects and contracts approved by the relevant government department has decreased. The delivery process of construction materials imported from mainland China was also delayed by the outbreak of COVID-19 and enhanced border control for prevention of disease. In addition, less workers are available in the market due to travel restrictions, which further slowed down the progress of existing construction projects. Competition within the construction industry has become even more intense during this period as there are less new projects in the market. In related to the decrease of the number of new projects in the market, the Group have to lower the contract price for those new projects in the market to obtain them under the intensive competition during the Reporting Period. Therefore, the Group recorded a decrease in its revenue from this segment during the Reporting Period compared to the corresponding period in 2019.

Money Lending

Under the economic impacts of COVID-19, there is an increasing trend for more corporations and individuals to obtain loans for financing to reduce the cash-flow pressure on them and lessen such impacts. Hence, our money lending business recorded an increase in loan portfolio during the Reporting Period.

Business Outlook

As we entered calendar year 2020, the outbreak of COVID-19 together with the challenges posed by the political unrest in Hong Kong in the past months mean a double blow to the Hong Kong economy and further contribute to a downward trend in the Hong Kong property market.

The impacts of COVID-19 have caused pressure worldwide and dampened the development of various industries, with no exception for the scaffolding industry. In the past decade, the scaffolding industry has become increasingly competitive. On the one hand, the costs have become high together with rising labour costs, but productivity has suffered decline. In the face of a phenomenon of ageing workers, young generation unwilling to join the industry due to hard labour work and higher requirement of technological qualifications, which has affected recruitment of talents in the industry, and with heavier government regulations, without favourable factors such as labour imports, the carrying capacity of the industry may be challenged. These reflect a lack of confidence in the prospect of the scaffolding industry.

On the other hand, in response to demand from market development, many contractors have adopted the use of metal scaffolds instead of bamboo scaffolds nowadays. The general higher durability of metal scaffolds and the possibility of calculating load bearing capacity have shortened the time for training of workers. Hence, bamboo scaffolds may be eliminated in Hong Kong in the future. According to recent trend, modern metal scaffolds have been adopted by the industry, especially for high-end shopping malls which are aware of exterior appearance. Therefore, the future direction of the scaffolding business will be led by the adoption of mixed scaffolds and metal scaffolds.

Looking ahead to 2020, in view of present economic uncertainty and difficulties, the Group is reviewing its existing assets structure and business strategies and may make adjustment to our existing assets structure, with the aim to consolidate our resources, so as to be flexibly prepared for uncertainties in the future. Meanwhile, in order to enhance our competitiveness, the Group will look for opportunities to revitalise the scaffolding business to keep up with the recent development and trend in the industry, in particular the declining use of bamboo scaffolds. At the same time, the Group will continue focusing on those business segments that generate higher profit margins and show ample growth potential such as money lending operations. The Group will strictly adhere to its cost control policy, and swiftly adjust business strategies of 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

During the Reporting Period, revenue decreased by approximately 16.8% 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, fitting out and other auxiliary services for construction and buildings work 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 increased from approximately HK\$8.8 million to approximately HK\$9.9 million due to the increase of the promotion expenses of approximately HK\$1.4 million. Finance costs increased from approximately HK\$2.1 million to approximately HK\$2.2 million. 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 July 2020, the Group had shareholders' equity of approximately HK\$533.6 million (30 April 2020: approximately HK\$537.6 million).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

Except the Disposal disclosed under the paragraphs headed "Disposal of OX Securities and OX Assets Management" in the section above, the Group did not have material acquisitions or disposals of subsidiaries or associates during the three months ended 31 July 2020.

EVENT AFTER REPORTING PERIOD

There is no important event affecting the Group which have occurred since 31 July 2020.

Share option scheme

The share option scheme adopted by the Company on 25 November 2001 was terminated by an ordinary 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, exceed 30% of the issued share capital of the Company from time to time. The life of the Option Scheme was effective until 29 August 2021.

The maximum number of shares issued and to be issued on the exercise of options granted under the Option Scheme or any other share option schemes of the Company and its subsidiaries (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 separately approved by the shareholders of the Company in general meeting with such grantee and his associates abstaining from voting, and the number and terms (including the subscription price) of the options to be granted to such person must be fixed before the shareholders' approval. A nominal consideration of HK\$1 is payable on acceptance of each grant.

The subscription price may be determined by the Board, provided that it shall not be less than the highest of (a) the closing price of the Company's shares on GEM as stated in the Stock Exchange's daily quotation sheet on the date of offer of the options; (b) the average of the closing prices of the Company's shares on 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; and (c) the nominal value of the shares on the date of offer provided that in the event of fractional prices, the subscription price per share shall be rounded upwards to the nearest whole cent.

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 which 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.

Details of movements in the Company's share options for the three months ended 31 July 2020 are as follows:

	Date of grant	Exercisable period (both dates inclusive)	Exercise price per shares <i>HKS</i>	Outstanding at 1 May 2020	Number of share options				Outstanding as at 31 July 2020
					Granted during the period	Lapsed during the period	Cancelled during the period	Exercised during the period	
Executive Director									
Mr. Yuen Chun Fai (<i>note</i>)	23 January 2020	6 February 2020 to 5 August 2021	0.0212	143,671,010	-	-	-	-	143,671,010
Employee	23 January 2020	6 February 2020 to 5 August 2021	0.0212	143,671,010	-	-	-	-	143,671,010
				<u>287,342,020</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>287,342,020</u>

Note: A total of 143,671,010 share options granted to Mr. Yuen Chun Fai, an executive director of the Company with the effect to 7 August 2020, were lapsed on the date of termination of his employment in accordance with the terms of the Share Option Scheme.

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

During the Reporting Period, the cooperation agreement dated 1 January 2017 entered into between Mass Fidelity Asset Management Limited ("Mass Fidelity"), a wholly-owned subsidiary of the Company principally engaged in assets management, and GET Consulting Company Limited ("GET Consulting") was in force. Pursuant to such cooperation agreement, Mass Fidelity has engaged GET Consulting to provide management services on the daily operation and accounting and finance matters of Mass Fidelity. Such cooperation agreement did not have a fixed term and no Director was interested in such cooperation agreement.

Save as aforesaid, no other 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 2020.

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 2020.

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

As at 31 July 2020, 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 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	Number of underlying shares held	Approximate percentage of the issued share capital of the Company as at 31 July 2020
Dr. So Yu Shing	Beneficial owner	3,320,000		
	Interest of spouse (note (a))	3,320,000		
		<hr/>		
			6,640,000	0.05%
Ms. Lai Yuen Mei, Rebecca	Beneficial owner	3,320,000		
	Interest of spouse (note (a))	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%
Mr. Yuen Chun Fai (with effect to 7 August 2020)	Beneficial owner (note (b))		143,671,010	1.00%

Notes:

- Ms. Lai Yuen Mei, Rebecca is the spouse of Dr. So Yu Shing.
- On 23 January 2020, the Company granted a total of 143,671,010 share options to Mr. Yuen Chun Fai under the share option scheme adopted by the Company on 30 August 2011, details of which are set out in the section headed "Management Discussion and Analysis – Share Option Scheme" in this report.

Save as disclosed above, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations as at 31 July 2020.

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

As at 31 July 2020, the Directors and the chief executive of the Company were not aware of any person (other than the Directors or chief executive of the Company whose interests were disclosed above) who had an interest in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to 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 2020, 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 2020, 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):

Name of Director	Name of entity which are considered to compete or likely to compete with the business of the Group	Description of competing business	Nature of interests
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. Lo Ka Ki, Mr. Law Man Sang 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 to 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 2020 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, 11 September 2020

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. Tse Fung Chun (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).