



**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 2021/2022**

\* *For identification purpose only*

## **CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED ("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 ("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 2021

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 2021 together with the unaudited comparative figures for the corresponding period in 2020 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Three months ended 31 July	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>Continuing operations</b>			
Revenue	3	52,670	32,299
Cost of sales		(32,540)	(16,164)
Gross profit		20,130	16,135
Other income	4	264	1,067
Other gains and (losses)	5	7,814	(5,611)
Operating and administrative expenses		(9,328)	(9,880)
Gain on disposal of a subsidiary	6	29,261	–
Finance costs	7	(2,372)	(2,227)
Gain (loss) before taxation		45,769	(516)
Taxation	8	(1,686)	(731)
Gain (loss) for the period from continuing operations		44,083	(1,247)
Discontinued operation			
Loss for the period from discontinued operation		–	(1,718)
Profit (loss) for the period		44,083	(2,965)
Profit (loss) for the period attributable to owners of the Company:			
– from continuing operations		43,773	(1,432)
– from discontinued operation		–	(1,718)
		43,773	(3,150)
Profit (loss) for the period attributable to non-controlling interests:			
– from continuing operations		310	185
		44,083	(2,965)
		(Unaudited)	(Unaudited)
From continuing and discontinued operations			
Earnings (loss) per share			
– basic	9	HK\$0.305 cent	(HK\$0.022 cent)
– diluted	9	HK\$0.302 cent	(HK\$0.022 cent)
From continuing operations			
Earnings (loss) per share			
– basic		HK\$0.305 cent	(HK\$0.022 cent)
– diluted		HK\$0.302 cent	(HK\$0.022 cent)

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

	<b>Three months ended 31 July</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Profit (loss) for the period	<b>44,083</b>	(2,965)
Other comprehensive income (expense):		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value gain (loss) on equity instruments at fair value through other comprehensive income ("FVTOCI")	<b>102</b>	(878)
Disposal of equity instruments at FVTOCI	<b>14</b>	–
Other comprehensive income (expense) for the period, net of taxation	<b>116</b>	(878)
Total comprehensive income (expense) for the period	<b>44,199</b>	(3,843)
Total comprehensive income (expense) for the period attributable to owners of the Company:		
– from continuing operations	<b>43,889</b>	(2,310)
– from discontinued operation	–	(1,718)
	<b>43,889</b>	(4,028)
Total comprehensive income (expense) attributable to non-controlling interests:		
– from continuing operations	<b>310</b>	185
	<b>44,199</b>	(3,843)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 July 2021

	Attributable to the owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000 (Note a)	Merger reserve HK\$'000 (Note b)	Share option reserve HK\$'000 (Note c)	FVTOCI reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity 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>
	Attributable to the owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000 (Note a)	Merger reserve HK\$'000 (Note b)	Share option reserve HK\$'000 (Note c)	FVTOCI reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 May 2021 (Audited)	<u>143,670</u>	<u>560,230</u>	<u>191,087</u>	<u>2,222</u>	<u>1,379</u>	<u>(37,706)</u>	<u>(339,529)</u>	<u>521,353</u>	<u>(12,465)</u>	<u>508,888</u>
Profit for the period	-	-	-	-	-	-	43,773	43,773	310	44,083
Fair value gain on equity instruments at FVTOCI	-	-	-	-	-	102	-	102	-	102
Disposal of equity instrument at FVTOCI	-	-	-	-	-	14	(14)	-	-	-
Total comprehensive (expense)/income for the period	-	-	-	-	-	116	43,759	43,875	310	44,185
At 31 July 2021 (Unaudited)	<u>143,670</u>	<u>560,230</u>	<u>191,087</u>	<u>2,222</u>	<u>1,379</u>	<u>(37,590)</u>	<u>(295,770)</u>	<u>565,228</u>	<u>(12,155)</u>	<u>553,073</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 2021.

The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 30 April 2021. 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**

	<b>Three months ended 31 July</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue from contracts with customers:</b>		
Contract revenue in respect of scaffolding, fitting out and other auxiliary services for construction and buildings work	<b>38,920</b>	19,906
Assets management business	<b>683</b>	468
	<b>39,603</b>	20,374
<b>Revenue from other sources:</b>		
Loan interest income	<b>13,067</b>	11,925
Total revenue	<b>52,670</b>	32,299
	<b>Three months ended 31 July</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Timing of revenue recognition:</b>		
Over time	<b>39,603</b>	20,374

#### 4. Other Income

	Three months ended 31 July	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Rental income	67	185
Sundry income	151	57
Government subsidiary	–	736
COVID-19-related rent concession	–	30
Interest income	46	56
Foreign exchange gains, net	–	3
	<u>264</u>	<u>1,067</u>

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

	Three months ended 31 July	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Fair value gain (loss) on financial assets at FVTPL, net	7,497	(5,607)
Gain (Loss) on disposal of financial assets at FVTPL	317	(4)
	<u>7,814</u>	<u>(5,611)</u>

#### 6. Gain on disposal of a subsidiary

On 8 February 2021, WLS (BVI) Limited (“WLS (BVI)”), a wholly-owned subsidiary of the Company, entered into the conditional sale and purchase agreement (“S&P Agreement”) with Sun Wui Property Development Limited (the “Buyer”), pursuant to which the WLS (BVI) conditionally agreed to sell and assign the benefit of, 100,000 ordinary shares in the issued and fully paid-up share capital of Wui Loong Holdings Company Limited (“Wui Loong Holdings”), a wholly-owned subsidiary of WLS (BVI), (the “Sale Shares”) which was engaged in investment property. The buyer agreed to purchase and take the assignment the Sale Shares for a consideration of HK\$76.0 million together with HK\$2 million related loan income plus the net asset value of Wui Loong Holdings as at the completion date.

As the Buyer is ultimately beneficially owned by Mr. So Yu Shing, the chairman of the Board and an executive Director, and Lai Yuen Mei, Rebecca, an executive Director, the Buyer is therefore a connected person of the Company under the GEM Listing Rules.

The special general meeting of the Company was held on 23 April 2021 and the Disposal has been completed on 31 May 2021.

Gain on disposal of the subsidiaries amounted to HK\$29,261,000 was analysed as follows:

	<i>HK\$'000</i>
Consideration received	76,038
Related loan income	2,000
	<hr/>
	78,038
	<hr/> <hr/>
Investment property	44,400
Property, plant and equipment	
– Leasehold land and buildings	6,065
– Furniture and fixtures	182
Deposits and other receivables	201
Bank balances and cash	120
Tax recoverable	610
Trade and other payables	(231)
Other loans	(6,000)
Deferred tax liability	(101)
	<hr/>
Net assets disposed of	45,246
Gain on disposal of subsidiaries:	
Consideration received	76,038
Related loan income	2,000
Net assets disposed of	(45,246)
Transaction costs	(458)
Sales and leaseback arrangement	(3,073)
	<hr/>
Gain on disposal of a subsidiary	29,261
	<hr/> <hr/>
Net cash inflow arising from disposal for the period:	
Consideration received	76,038
Related loan income	2,000
Deposit already received in prior year	(7,588)
	<hr/>
	70,450
Transaction costs	(458)
Less: Sales and leaseback arrangement	(3,073)
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Net cash inflow	66,919
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## 7. Finance costs

	Three months ended 31 July	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings and bank overdrafts	737	363
Interest on other loan and other borrowings	1,553	1,756
Interest on lease liabilities	82	108
	<u>2,372</u>	<u>2,227</u>

## 8. Taxation

	Three months ended 31 July	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Taxation comprises:		
Hong Kong Profits Tax		
Current year charged	1,686	731
	<u>1,686</u>	<u>731</u>

## 9. Earnings (loss) per share

### Basic and diluted earnings (loss) per share

#### (a) From continuing and discontinued operations

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

	Three months ended 31 July	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings (loss) for the period attributable to owners of the Company, for the purpose of basic and diluted loss per share	<u>43,773</u>	<u>(3,150)</u>
	<b>Number of shares</b>	<b>Number of shares</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	14,367,101,072	14,367,101,072
Effect of dilutive potential ordinary shares in respect of share options	<u>110,692,366</u>	<u>250,202,029</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>14,477,793,438</u>	<u>14,617,303,101</u>

**(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:

	<b>Three months ended 31 July</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit (loss) for the period from continuing operations	<b>43,773</b>	<b>(1,432)</b>

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

**10. Dividend**

The Board does not recommend the payment of any dividend for ordinary shareholder of the Company for the three months ended 31 July 2021, nor has any dividend been proposed since the period ended 31 July 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the three months ended 31 July 2021 (herein referred to as the “Reporting Period”), the revenue of the Group amounted to approximately HK\$52.7 million (For the same period of 2020: HK\$32.3 million), representing an increase of approximately 63.2% compared to the corresponding period in 2020. Net profit attributable to owners of the Company from continuing operations during the Reporting Period was approximately HK\$43.8 million (For the same period of net loss attributable to owners of the Company from continuing operations in 2020: HK\$1.4 million). The increase in revenue was mainly due to the increase in contract revenue generated from scaffolding, fitting out and other auxiliary services for construction and buildings work and increase in revenue generated from money lending business during the Reporting Period. Also, the increase in net profit attributable to owners of the Company from continuing operations was mainly due to the increase of the total revenue of approximately HK\$20.4 million and one-off gain on disposal of a subsidiary of approximately HK\$29.3 million.

### 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\$38.9 million, representing a significant increase of approximately HK\$19.0 million as compared to the corresponding period in 2020, due to the Group awarded a total of 28 new construction contracts for the year ended 30 April 2021 (For the year ended 30 April 2020: 12 new construction contracts) and it leads more contract revenue from this segment was recognised during the Reporting period as compared to the corresponding period in 2020.

#### *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 46 ongoing projects, 9 of which were completed on schedule and 2 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 during the Reporting Period, 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\$13.1 million during the Reporting Period (For the same period of 2020: approximately HK\$11.9 million). The principal amount of the loans granted ranged from HK\$0.2 million to HK\$25.0 million with interest rates ranging from 7.0% to 40.5% 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 Year. 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 recorded a net fair value gain of approximately HK\$7.8 million (For the same period of 2020: net fair value loss of approximately HK\$5.6 million) for its investment portfolio during the Reporting Period, which was mainly due to the upward trend of the stock market in Hong Kong. The Group foresees that the global economy will be getting better in year 2021/2022 as a result of the vaccine coming out for COVID-19 pandemic. 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 (“Blue Pool”), the holding company of Mass Fidelity Asset Management Limited (“Mass Fidelity”), a licensed insurance broker and registered MPF Corporate Intermediary in Hong Kong, the Group had commenced the business of assets management in March 2018. During the Reporting Period, the assets management business recorded a turnover of approximately HK\$683,000.

### **Disposal of a subsidiary**

On 8 February 2021, WLS (BVI) Limited (“WLS (BVI)”), a wholly-owned subsidiary of the Company, entered into the conditional sale and purchase agreement (“S&P Agreement”) with Sun Wui Property Development Limited (the “Buyer”), pursuant to which the WLS (BVI) conditionally agreed to sell and assign the benefit of, 100,000 ordinary shares in the issued and fully paid-up share capital of Wui Loong Holdings Company Limited (“Wui Loong Holdings”), a wholly-owned subsidiary of WLS (BVI), (the “Sale Shares”), and the Buyer agreed to purchase and take the assignment of, the Sale Shares at the Consideration of approximately HK\$76.0 million together with HK\$2 million related loan income.

As the Buyer is ultimately beneficially owned by Mr. So Yu Shing, the chairman of the Board and an executive Director, and Lai Yuen Mei, Rebecca, an executive Director, the Buyer is therefore a connected person of the Company under the GEM Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

The S&P Agreement was in effect to dispose of the property of all those 11,438 equal undivided 750,000th shares of Aberdeen Inland Lot No. 423, including 11 office units on the 10th floor of Southmark, No.11 Yip Hing Street, Wong Chuk Hang, Hong Kong held by the Wui Loong Holdings (“the Property”) through the disposal of the Sale Shares.

The special general meeting of the Company was held on 23 April 2021 and the Disposal has been completed on 31 May 2021. Details of the transaction are set out in the announcements and circular of the Company dated 8 February 2021, 31 March 2021 and 31 May 2021. After completion of the Disposal, Wui Loong Holdings has ceased to be a subsidiary of WLS (BVI). Further details of the gain on disposal of a subsidiary are set out in note 6 to the unaudited condensed consolidated financial statements in this report.

## **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 2021, 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 order to lower the affects by the COVID-19 as above, the Group has reviewed and flexibly adjusted the business strategies, which is to lower the construction contract price to bid more new construction contracts for the year ended 30 April 2021. The Group has awarded a total of 28 new construction contracts for the year ended 30 April 2021 (for the year ended 30 April 2020: 12 new construction contracts) and it leads more contract revenue from this segment was recognised during the Reporting period as compared to the corresponding period in 2020.

### **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 2021, 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 2021, 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 increased by approximately 63.2% 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 decreased from approximately HK\$9.9 million to approximately HK\$9.3 million which is similar as compared to the corresponding period in 2020. Finance costs increased from approximately HK\$2.2 million to approximately HK\$2.4 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 2021, the Group had shareholders' equity of approximately HK\$565.2 million (30 April 2021: approximately HK\$521.4 million).

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES**

Except the Disposal disclosed under the paragraphs headed "Disposal of a subsidiary" in the section above, the Group did not have material acquisitions or disposals of subsidiaries or associates during the three months ended 31 July 2021.

## **EVENT AFTER REPORTING PERIOD**

There is no important event affecting the Group which have occurred since 31 July 2021.

## **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 and therefore, the share option scheme was lapsed on 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 2021 are as follows:

Date of grant	Exercisable period (both dates inclusive)	Exercise price per shares <i>HK\$</i>	Outstanding at 1 May 2021	Number of share options				Outstanding as at 31 July 2021	
				Granted during the period	Lapsed during the period	Cancelled during the period	Exercised during the period		
Employee	23 January 2020	6 February 2020 to 5 August 2021	0.0212	143,671,010	-	-	-	-	143,671,010
				<u>143,671,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,671,010</u>

*Note:* A total of 143,671,010 share options granted to employee of the Company were lapsed on 5 August 2021.

### 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 2021.

## 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 2021.

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

As at 31 July 2021, 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	Approximate percentage of the issued share capital of the Company as at 31 July 2021
Dr. So Yu Shing	Beneficial owner	3,320,000	
	Interest of spouse ( <i>note (a)</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 (a)</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%

Notes: 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 the shares, underlying shares or debentures of the Company or its associated corporations as at 31 July 2021.

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

As at 31 July 2021, 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 2021, 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 2021, the Company had followed a code of conduct regarding directors' securities transactions as set out in Rules 5.46 to 5.68 of the GEM Listing Rules. The Company had also made specific enquiry of all directors and was not aware of any non-compliance with the required standard of dealings and the code of conduct regarding securities transactions by directors.

## **COMPETING INTERESTS**

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

<b>Name of Director</b>	<b>Name of entity which are considered to compete or likely to compete with the business of the Group</b>	<b>Description of competing business</b>	<b>Nature of interests</b>
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 2021 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, 13 September 2021

*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).*