



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 2016/2017

* *For identification purpose only*

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

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This report, for which the directors (“Directors”) of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”) for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

RESULTS FOR THE THREE MONTHS ENDED 31 JULY 2016

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 2016 together with the unaudited comparative figures for the corresponding period in 2015 as follows:

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

		Three months ended	
		31 July	
		2016	2015
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	4	39,055	39,780
Cost of sales		(23,315)	(29,592)
Gross profit		15,740	10,188
Other income	5	7,324	1,411
Other gain and (loss), net	6	(2,752)	–
Operating and administrative expenses		(10,776)	(6,796)
Finance costs	7	(953)	(566)
Share of results of associates		176	384
Profit before taxation		8,759	4,621
Taxation	8	(1,505)	(700)
Profit for the period		7,254	3,921
Profit for the period attributable to:			
Equity holders of the Company		6,796	1,911
Non-controlling interests		458	2,010
		7,254	3,921
Dividend	9	–	–
		(Unaudited)	(Unaudited)
Earnings per share			
– basic	10	HK0.053 cent	HK0.038 cent
– diluted	10	HK0.053 cent	HK0.037 cent

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

	Three months ended	
	31 July	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	67,254	3,921
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss:</i>		
Add:		
Exchange difference on translation of financial statement of overseas associate	13	–
Fair value gain on available-for-sale investment	5,840	–
	<hr/>	<hr/>
Other comprehensive income for the period, net of tax	5,853	–
	<hr/>	<hr/>
Total comprehensive income for the period	13,107	3,921
	<hr/>	<hr/>
Total comprehensive income for the period attributable to:		
Equity holders of the Company	12,649	1,911
Non-controlling interests	458	2,010
	<hr/>	<hr/>
	13,107	3,921
	<hr/> <hr/>	<hr/> <hr/>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 July 2016

	Attributable to equity holders of the Company										
	Share capital	Share premium	Contributed surplus	Merger reserve	Share option reserve	Exchange reserve	Investment revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HKS '000	HKS '000	HKS '000	HKS '000 (Note 1)	HKS '000 (Note 2)	HKS '000	HKS '000	HKS '000	HKS '000	HKS '000	HKS '000
At 1 May 2015 (Audited)	127,177	62,681	157,334	2,222	2,364	-	-	(69,868)	281,910	16,316	298,226
Total comprehensive income for the period	-	-	-	-	-	-	-	1,911	1,911	2,010	3,921
Capital reduction	(120,819)	-	120,819	-	-	-	-	-	-	-	-
Expenses on capital reorganisation	-	-	(210)	-	-	-	-	-	(210)	-	(210)
Amounts transferred to set off against accumulated losses	-	-	(42,318)	-	-	-	-	42,318	-	-	-
Issue of bonus shares	44,512	-	(44,512)	-	-	-	-	-	-	-	-
Expenses on issue of bonus shares	-	-	(26)	-	-	-	-	-	(26)	-	(26)
At 31 July 2015 (Unaudited)	<u>50,870</u>	<u>62,681</u>	<u>191,087</u>	<u>2,222</u>	<u>2,364</u>	<u>-</u>	<u>-</u>	<u>(25,639)</u>	<u>283,585</u>	<u>18,326</u>	<u>301,911</u>
At 1 May 2016 (Audited)	127,670	507,430	191,087	2,222	2,364	(13)	16,352	(45,747)	801,365	(5,178)	796,187
Profit for the period	-	-	-	-	-	-	-	6,796	6,796	458	7,254
Other comprehensive income for the period	-	-	-	-	-	13	5,840	-	5,853	-	5,853
Total comprehensive income for the period	-	-	-	-	-	13	5,840	6,796	12,649	458	13,107
Share options lapsed during the period	-	-	-	-	(1,731)	-	-	1,731	-	-	-
At 31 July 2016 (Unaudited)	<u>127,670</u>	<u>507,430</u>	<u>191,087</u>	<u>2,222</u>	<u>633</u>	<u>-</u>	<u>22,192</u>	<u>(37,220)</u>	<u>814,014</u>	<u>(4,720)</u>	<u>809,294</u>

Notes:

1. 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.
2. The share option reserve of the Group represents the fair value of share options granted to the directors and employees of the Company at the relevant grant dates.

Notes:

1. Corporate information

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

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

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

2. Basis of preparation of the financial statements

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

The Group’s 2017 first quarterly unaudited financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities which have been measured at fair values. The principal accounting policies used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 30 April 2016 except for the new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA that are adopted for the first time for the current period’s financial statements.

3. Adoption of new and revised Hong Kong financial reporting standards

During the Period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 May 2016. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current and prior accounting periods.

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 May 2016. The directors anticipate that the new and revised HKFRSs will be adopted in the Group’s condensed consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. Turnover

	Three months ended	
	31 July	
	2016	2015
	HK\$'000	HK\$'000
Contract revenue in respect of construction and buildings work for the provision of		
– scaffolding services	19,192	26,365
– fitting out services	8,584	12,283
Management contracting services	–	–
Gondolas, parapet railings and access equipment installation and maintenance services	2,197	532
Loan interest income	9,082	600
	<u>39,055</u>	<u>39,780</u>

5. Other Income

	Three months ended	
	31 July	
	2016	2015
	HK\$'000	HK\$'000
Interest income	14	4
Rental income	221	504
Dividend income	7,028	–
Reversal of allowance for bad and doubtful debts	10	591
Sundry Income	51	312
	<u>7,324</u>	<u>1,411</u>

6. Other gain and (loss), net

	Three months ended	
	31 July	
	2016	2015
	HK\$'000	HK\$'000
Fair value loss on financial assets at fair value through profit or loss	(5,061)	–
Gain on disposal of a subsidiary	2,309	–
	<u>(2,752)</u>	<u>–</u>

7. Finance Costs

	Three months ended	
	31 July	
	2016	2015
	HK\$'000	HK\$'000
Interest on bank loans	500	546
Interest on other loans	425	14
Interest on obligations under finance leases	28	6
	<u>953</u>	<u>566</u>

8. Taxation

Taxation comprises:

	Three months ended 31 July	
	2016 HK\$'000	2015 HK\$'000
Hong Kong Profits Tax – current year	(1,505)	(700)
Other jurisdiction – current year	–	–
	<u>(1,505)</u>	<u>(700)</u>

Provision for Hong Kong Profits Tax has been made at the rate of 16.5% on the estimated assessable profit arising in Hong Kong during the period (three months ended 31 July 2015: 16.5%).

9. Dividend

The Board does not recommend the payment of any dividend for the three months ended 31 July 2016 (three months ended 31 July 2015: Nil).

10. Earnings per share

The calculation of the basic earnings per share is based on the unaudited net profit attributable to equity holders of the Company for the three months ended 31 July 2016 amounting to approximately HK\$6,796,000 (three months ended 31 July 2015: HK\$1,911,000). The weighted average numbers of ordinary shares for the purpose of basic and diluted earnings per share are as follows:

	For the three months ended 31 July	
	2016 (Unaudited)	2015 (Unaudited)
Weighted average number of ordinary shares for the purpose of calculating earnings per share		
Basic	12,767,101,072	5,087,101,072
Effect of dilutive potential ordinary shares on share options	–	17,647,911
Diluted	<u>12,767,101,072</u>	<u>5,104,748,983</u>
	HK Cent	HK Cent
Earnings per share		
– Basic	0.053	0.038
– Diluted	0.053	0.037

During the three months ended 31 July 2016, the computation of diluted earnings per share pledge did not assume the exercise of the Company's outstanding share options because the exercise price of those share options was higher than the average market price for shares for the period.

The Group has no potentially dilutive ordinary shares in issue during the period ended 31 July 2016.

11. Events after the end of the reporting period

On 22 July 2016, Favourite Number Limited (the “Offeror”) owned as to 47% by a wholly-owned subsidiary of the Company and 53% by Mr. Hue Kwok Chu Raymond, an independent third party (the “Third Party”) notified the board of L & A International Holdings Limited (“L&A”) (a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on GEM (stock code: 8195)) that subject to the approval of the shareholders of the Company it intends to make a voluntary conditional offer to acquire all the issued shares of the L&A (the “Offer”).

The Offer is subject to satisfaction of the pre-condition, the Offeror will make the Offer on the following basis:

For every 400 L&A shares 57 new shares of the Company and HK\$5.60 in cash

The transactions contemplated under the Offer constitute a major transaction for the Company’s for the purpose of the GEM Listing Rules as at the date of Company’s announcement on 18 August 2016 (“Offer Announcement”).

On 18 August 2016, based on publicly-available information, (i) there were only 24,000,000,000 L&A shares in issue; and (ii) there were no outstanding options, derivatives, warrants or other securities in issue convertible or exchangeable into the L&A shares.

However, subsequent to the publication of the offer announcement on 18 August 2016, L&A announced on 22 August 2016 that 1,800,000,000 L&A options were granted and accepted on 22 July 2016; and as further disclosed in L&A’s next day disclosure return published on 24 August 2016, 1,600,000,000 new L&A shares (the “New L&A Shares”) were allotted and issued under the L&A options on 22 August 2016.

The Offeror did not take into account the L&A options as well as the New L&A Shares at the time of the Offer Announcement because it did not then know anything about the L&A options and the New L&A Shares were not in issue then. Since the 1,600,000,000 New L&A Shares are in existence and, based on publicly-available information, there are 200,000,000 L&A options outstanding on 12 September 2016, The Offeror will extend the share offer to all L&A Shareholders (including holders of the New L&A Shares) and make the option offer to all holders of the outstanding L&A Options in compliance with General Principle 1 and Rule 13.1 of the Takeovers Code respectively (the “New Offers”).

The New Offers to be made by VBG Capital Limited, a financial adviser to the Offeror and the Company, on behalf of the Offeror shall comprise the share offer and the option offer.

The basis of the new share offer will remain unchanged, and will be as follows:

For every 400 L&A Shares 57 new shares of the Company and HK\$5.60 in cash.

Based on publicly-available information, there are 200,000,000 outstanding L&A options on 12 September 2016. The option offer will be made on the following terms:

For cancellation of every 100 outstanding L&A options 8 new shares of the Company and HK\$0.7775 in cash

The transactions contemplated under the New Offers constitute a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules and will therefore be subject to the Company’s shareholders’ approval. The special general meeting of the Company is expected to be held on or before 17 October 2016.

Details of which are set out in the Company’s announcements dated 22 July 2016, 9 August 2016, 18 August 2016, 1 September 2016, 2 September 2016 and 12 September 2016 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

For the three months ended 31 July 2016, (herein referred to as the “period”), the turnover of the Group amounted to approximately HK\$39,055,000 (2015: HK\$39,780,000), a decrease of approximately 2% compared to the same period in 2015. Net profit attributable to equity holders of the Company for the three months ended 31 July 2016 was approximately HK\$6,796,000, an increase of approximately 256% against the same period in 2015.

During the period under review, the Group benefitted from a keen demand for real estate and infrastructure construction as well as the delivery of scaffolding services at 27 ongoing projects, 3 of which were completed during the period. In spite of fierce on-going competition in the construction market caused by labour shortages, the Group’s patented scaffolding system, known as “Pik-Lik”, has played a significant role in saving manpower hours and achieving higher construction efficiency.

The fitting out division’s operating results remained stable with revenues amounting to approximately HK\$8,584,000 along with 5 new contracts secured during the period under review. This revenue was mainly generated by Sense Key Design Holdings Limited, the Group’s 51% owned subsidiary, with high profit margins. In addition, the scope of segment services was extended to ceiling works where the Group received satisfactory feedbacks from the clients.

During the period under review, turnover from the Group’s temporary gondola fleet business was mainly generated from rental income. 8 new projects were secured during the period. The Group recorded approximately HK\$2,197,000 of revenue from its access equipment division, an increase of approximately 313% compared to last year.

With regard to money lending operations, the Group has secured a number of short-term loan agreements which generated a turnover of approximately HK\$9,082,000 during the period under review, which accounted for approximately 23% of total turnover.

The Group began its securities investments in August 2015, managing by an investment committee which mainly focused on quality Hong Kong-listed securities with strict risk control. In July 2016, Favourite Number Limited, a 47% owned joint venture of the Group advised the board of directors of L & A International Holdings Limited (“L&A”) (stock code: 8195) to make a voluntary conditional securities exchange and cash offer to acquire all of the issued shares of L&A based on the exchange ratio of (i) 57 new Shares of the Company and HK\$5.60 in cash per 400 L&A shares, and (ii) 8 new Shares of Company and HK\$0.7775 in cash for cancellation of every 100 L&A Options. The Group considers that a great investment opportunity given the current exceptionally low market capitalisation of L&A and intends to hold the L&A Shares for the medium term. Such transactions are subjected to shareholders’ approval and the special general meeting of the Company will be held on or before 17 October 2016.

Looking ahead, in view of continuing demand for real estate and infrastructure construction across Hong Kong, the Group believes that their unique scaffolding system will become increasingly popular in the future, despite the extant problems of labour shortages and low profit margins.

As for the securities investment segment, riding on the introduction of the proposed Shenzhen-Hong Kong stock market linkage by the end of 2016, the Group sees huge market potential and intends to capture the uptrend opportunity of the financial markets. Coupled with its money lending business, the Group expects a strategy of business portfolio diversification will help expand its sources of income and achieve greater financial performance as a whole. At the same time, the Group will maintain a vigilant cost control strategy in all operating units and actively look for possible investment opportunities to maximise shareholder returns.

Financial Review

For the three months ended 31 July 2016, the Group's revenue amounted to approximately HK\$39,055,000 represents a decrease of approximately 2% as compared with the corresponding periods in the preceding financial year. Money lending business contributed substantial revenue to maintain the financial stability of the Group in anticipation of future growth.

During the period under review, gross profit of the Group increased from approximately HK\$10,188,000 to approximately HK\$15,740,000 as compared with the three months ended 31 July 2015. This resulted mainly from the increase in turnover from money lending business with high profit margins compared with other business segments.

Due to ongoing business expansion and diversification, operating and administrative expenses increased from approximately HK\$6,796,000 to approximately HK\$10,776,000. Finance costs increased from approximately HK\$566,000 to approximately HK\$953,000. These were mainly due to legal and professional fees increased by approximately HK\$1,320,000 and additional operational costs increased by approximately HK\$2,660,000 for expansion of the Group's businesses. Nevertheless, 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 2016, the Group had shareholders' equity of approximately HK\$814,014,000 (30 April 2016: approximately HK\$801,365,000).

FINANCING

Fund raising activities of the Company in the 12 month immediately preceding the reporting date

Date of announcement	Fund raising activities	Intended use of net proceeds as at the date of this announcement	Actual use of the net proceeds as at the date of this announcement
12 August 2015, 13 August 2015, 18 August 2015 and 10 December 2015	Placing of 7,620,000,000 new shares pursuant to the specific mandate granted to the Directors by the Shareholders at the special general meeting of the Company held on 18 November 2015	<p>The aggregate net proceeds of approximately HK\$520.38 million was intended to be used as follows:</p> <ul style="list-style-type: none"> (i) approximately HK\$300.00 million for the development and expansion of the Group's money lending business; (ii) approximately HK\$180.00 million for the investment of the Group in the businesses of, including but not limited to, financial and securities markets, construction and ancillary services sectors; and (iii) the remaining balance of approximately HK\$40.38 million for general working capital of the Group. 	<p>The aggregate net proceeds of HK\$406.07 million have been used as follows:</p> <ul style="list-style-type: none"> (i) approximately HK\$300.00 million has been utilised for financing the money lending business; (ii) approximately HK\$73.75 million for the investment of the Group which was utilised as to (a) approximately HK\$71.75 million for the investment in listed securities, and (b) approximately HK\$2.00 million for the investment in non-listed securities. (iii) approximately HK\$32.32 million for general working capital of the Group which was utilised as to (a) approximately HK\$11.12 million for the purchase of raw material for the segment of scaffolding services for construction and building work; (b) approximately HK\$12.06 million for the salaries and wages for the employees of the Group; (c) approximately HK\$0.91 million for the rental and rates expenses of the Group; (d) approximately HK\$2.11 million for the legal and professional fees incurred by the Group; and (e) approximately HK\$6.12 million for other administrative expenses of the Group. <p>The remaining balance of approximately HK\$114.31 million has not been utilised and remains in the bank for intended use.</p>

Date of announcement	Fund raising activities	Intended use of net proceeds as at the date of this announcement	Actual use of the net proceeds as at the date of this announcement
21 January 2015 and 27 March 2015	Placing of 540,000,000 new shares pursuant to the specific mandate granted to the Directors by the Shareholders at the special general meeting of the Company held on 5 March 2015	<p>The aggregate net proceeds of approximately HK\$159.76 million was intended to be used as follows:</p> <ul style="list-style-type: none"> (i) approximately HK\$30.00 million for repayment of bank loans and other loans; (ii) approximately HK\$33.00 million for repayment of the convertible bonds and the payment of interest accrued thereon; (iii) approximately HK\$30.00 million for financing the development of the money lending business; (iv) approximately HK\$25.00 million for purchase of factory unit for warehouse storage purpose; (v) approximately HK\$17.00 million for expansion of design and fitting out services of the Group; and (vi) the remaining balance of approximately HK\$24.76 million for general working capital of the Group. 	<p>The aggregate net proceeds of HK\$131.28 million have been used as follows:</p> <ul style="list-style-type: none"> (i) approximately HK\$26.52 million has been utilised for repayment of bank loans and other loans; (ii) approximately HK\$31.78 million has been utilised for repayment of the convertible bonds and the payment of interest accrued thereon, and remaining balance of approximately HK\$1.22 million has been reallocated as general working capital of the Group; (iii) approximately HK\$30.00 million has been utilised for financing the money lending business; (iv) approximately HK\$17.00 million has been utilised for expansion of design and fitting out services of the Group; and (v) approximately HK\$25.98 million has been applied as general working capital of the Group, of which was utilised as to (a) approximately HK\$12.18 million for the purchase of raw material for the segment of scaffolding services for construction and building work; (b) approximately HK\$6.45 million for the salaries and wages for the employees of the Group; (c) approximately HK\$2.03 million for the legal and professional fees incurred by the Group; and (d) approximately HK\$5.32 million for other administrative expenses of the Group. <p>The remaining balance of approximately HK\$28.48 million has not been utilised and remains in the bank for intended use.</p>

Share option scheme

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

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

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

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

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

Pre-emptive rights

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

Management contract

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the three months ended 31 July 2016.

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 2016.

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

As at 31 July 2016, the interests and short positions of the Directors (including 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")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares and underlying shares

Name of director	Number of ordinary shares held/ underlying shares held		Percentage of the issued share capital of the Company
	Personal interest	Total interest (inclusive of deemed interest)	
Dr. So Yu Shing	3,320,000	6,640,000 (note a)	0.05%
Ms. Lai Yuen Mei, Rebecca	3,320,000	6,640,000 (note b)	0.05%
Mr. Kong Kam Wang	1,778,000	–	0.01%
Mr. So Wang Chun, Edmond	4,400,000	–	0.03%
Mr. Ng Tang	5,536,000	–	0.04%

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

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

Notes:

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

Long positions in share options

The following table discloses details of movements in respect of the Company's share options during the period:

Name of director	Date granted	Exercisable period (both dates inclusive)	Original exercise price HK\$	Outstanding at 1.5.2016	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31.7.2016
Dr. So Yu Shing	14 May 2014	28 May 2014 to 27 May 2016	0.195	2,216,000	-	-	2,216,000	-
Ms. Lai Yuen Mei, Rebecca	14 May 2014	28 May 2014 to 27 May 2016	0.195	2,216,000	-	-	2,216,000	-
Mr. Kong Kam Wang	20 May 2014	4 June 2014 to 3 June 2016	0.2025	1,200,000	-	-	1,200,000	-
Mr. So Wang Chun, Edmond	8 November 2010	8 December 2010 to 7 December 2016	0.32	3,600,000	-	-	-	3,600,000
	14 May 2014	28 May 2014 to 27 May 2016	0.195	1,136,000	-	-	1,136,000	-
Mr. Yuen Chun Fai	14 May 2014	28 May 2014 to 27 May 2016	0.195	5,536,000	-	-	5,536,000	-
				<u>15,904,000</u>	<u>-</u>	<u>-</u>	<u>12,304,000</u>	<u>3,600,000</u>

Save as disclosed above, as at 31 July 2016, none of the Directors or their associates (including the chief executive) of the Company had any interests or short positions in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required by the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

As at 31 July 2016, the persons who have interests and short positions in shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or have otherwise notified to the Company were as follows:

Long positions in shares

Name	Capacity/Nature of Interest	Number of ordinary shares in the Company	Percentage of shareholding as at 31 July 2016 (Approximate)
Avant Capital Management (HK) Limited	Beneficial owner	2,172,000,000	17.01%

Save as disclosed above, as at 31 July 2016, the Company has not been notified of any other person (other than a Director of the Company) having an interest or short position in shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

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 2016, 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 2016, 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 business	Nature of interests
Mr. Ong Chi King	Deson Construction International Holdings Limited (“Deson”)	principally engaged in (i) building construction works; (ii) electrical and mechanical engineering works; and (iii) fitting out works	Executive director and interests in approximately 0.98% of issued share capital of Deson
	Wan Kei Group Holdings Limited	Principally engaged in (i) foundation works; and (ii) ground investigation field works	Independent non-executive director
	KSL Holdings Limited	Provision of engineering consulting, contracting and project management services	Independent non-executive director (resigned on 2 June 2016)

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

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

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

AUDIT COMMITTEE

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

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

The Group’s unaudited condensed consolidated first quarterly results for the three months ended 31 July 2016 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, 14 September 2016