



**WLS Holdings Limited**

**滙隆控股有限公司\***

*(incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock Code: 8021)**

**Third Quarterly Report 2014/2015**

\* *For identification purpose only*

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

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

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors 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 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.*

The Board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the three months and the nine months ended 31 January 2015 together with the comparative unaudited figures for the corresponding periods in 2014 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 January 2015

	Notes	Three months ended 31 January		Nine months ended 31 January	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Turnover	3	37,509	28,170	100,454	87,514
Cost of sales		<u>(36,304)</u>	<u>(26,916)</u>	<u>(84,970)</u>	<u>(77,216)</u>
Gross profit		1,205	1,254	15,484	10,298
Other income		622	280	1,659	1,411
Increase in fair value of investment properties		–	–	1,320	–
Gain on disposal of property, plant and equipment		420	–	430	–
Operating and administrative expenses		(5,543)	(4,047)	(16,546)	(11,922)
Finance costs	4	(2,733)	(564)	(5,361)	(1,614)
Share of results of an associate		855	–	855	–
Loss before taxation		<u>(5,174)</u>	<u>(3,077)</u>	<u>(2,159)</u>	<u>(1,827)</u>
Taxation	5	<u>994</u>	<u>504</u>	<u>252</u>	<u>283</u>
Loss for the period		<u>(4,180)</u>	<u>(2,573)</u>	<u>(1,907)</u>	<u>(1,544)</u>
Other comprehensive income, net of tax		–	–	–	–
Total comprehensive loss for the period		<u><u>(4,180)</u></u>	<u><u>(2,573)</u></u>	<u><u>(1,907)</u></u>	<u><u>(1,544)</u></u>
Profit/(Loss) and total comprehensive income/ (loss) attributable to:					
Equity holders of the Company		<u>(5,414)</u>	<u>(2,490)</u>	<u>(3,138)</u>	<u>(1,421)</u>
Non-controlling interests		<u>1,234</u>	<u>(83)</u>	<u>1,231</u>	<u>(123)</u>
		<u><u>(4,180)</u></u>	<u><u>(2,573)</u></u>	<u><u>(1,907)</u></u>	<u><u>(1,544)</u></u>
Dividend	6	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>
		<b>(Unaudited)</b>	<b>(Unaudited) (Restated)</b>	<b>(Unaudited)</b>	<b>(Unaudited) (Restated)</b>
Loss per share for loss attributable to equity holders of the Company					
– basic	7	<u><u>(HK1.129 cents)</u></u>	<u><u>(HK0.884 cent)</u></u>	<u><u>(HK0.753 cent)</u></u>	<u><u>(HK0.507 cent)</u></u>
– diluted	7	<u><u>(HK1.129 cents)</u></u>	<u><u>(HK0.867 cent)</u></u>	<u><u>(HK0.753 cent)</u></u>	<u><u>(HK0.502 cent)</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED**  
For the nine months ended 31 January 2015

Attributable to equity holders of the Company

	Share capital	Share premium	Contributed surplus	Merger reserve	Share option reserve	Equity component of			Total	Non-controlling interests	Total
						Warrant reserve	convertible bonds	Accumulated losses			
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
			(Note 1)	(Note 2)	(Note 3)						
At 1 May 2013 (Audited)	11,198	119,374	-	2,222	7,174	200	-	(5,934)	134,234	(6,260)	127,974
Total comprehensive loss for the period	-	-	-	-	-	-	-	(1,421)	(1,421)	(123)	(1,544)
Placing of shares	2,239	21,947	-	-	-	-	-	-	24,186	-	24,186
Expenses on placing of shares	-	(1,069)	-	-	-	-	-	-	(1,069)	-	(1,069)
At 31 January 2014 (Unaudited)	<u>13,437</u>	<u>140,252</u>	<u>-</u>	<u>2,222</u>	<u>7,174</u>	<u>200</u>	<u>-</u>	<u>(7,355)</u>	<u>155,930</u>	<u>(6,383)</u>	<u>149,547</u>
At 1 May 2014 (Audited)	13,843	143,393	-	2,222	1,644	200	-	(61,679)	99,623	(6,454)	93,169
Total comprehensive loss for the period	-	-	-	-	-	-	-	(3,138)	(3,138)	1,231	(1,907)
Grant of share options	-	-	-	-	1,723	-	-	-	1,723	-	1,723
Exercise of warrants	2,000	13,000	-	-	-	-	-	-	15,000	-	15,000
Exercise of share options	138	941	-	-	-	-	-	-	1,079	-	1,079
Subscription of shares	3,196	10,946	-	-	-	-	-	-	14,142	-	14,142
Expenses on subscription of shares	-	(125)	-	-	-	-	-	-	(125)	-	(125)
Issue of convertible bonds	-	-	-	-	-	-	5,340	-	5,340	-	5,340
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	21,163	21,163
Transfer to contribution surplus (Note 1)	-	(157,334)	157,334	-	-	-	-	-	-	-	-
At 31 January 2015 (Unaudited)	<u>19,177</u>	<u>10,821</u>	<u>157,334</u>	<u>2,222</u>	<u>3,367</u>	<u>200</u>	<u>5,340</u>	<u>(64,817)</u>	<u>133,644</u>	<u>15,940</u>	<u>149,584</u>

Notes:

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

## 1. Corporate information

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and continued in Bermuda and its shares are listed on the 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.

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

## 2. Basis of preparation and Principal accounting policies

The unaudited condensed consolidated financial results have been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties which are measured at fair values.

The accounting policies and method of computation used in the preparation of unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 April 2014, except as described below.

The Group has adopted and applied, for the first time, the following new standards or interpretations issued by HKICPA that have been issued and effective for the financial year beginning 1 May 2014:

HK (IFRIC) – Int 21                      Levies  
Annual Improvements to HKFRSs 2010-2012 Cycle

The application of new and revised HKFRSs had no effect on the unaudited condensed consolidated financial information for the current or prior accounting periods.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The Company is still not in the position to estimate the impact that may arise from the application of these new standards and interpretations.

HKFRS 9 (2014)	Financial Instruments <sup>3</sup>
HKFRS 14	Regulatory Deferred Accounts <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
Annual Improvements to HKFRSs 2011-2013 Cycle <sup>4</sup>	
Annual Improvements to HKFRSs 2012-2014 Cycle <sup>1</sup>	

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2014

The preparation of unaudited condensed consolidated financial information in conformity with Hong Kong Financial Reporting Standards issued by HKICPA requires the use of certain critical estimates. It also requires directors to exercise judgement in the process of applying the Company’s accounting policies. The areas involving a high degree of judgement, assumptions and estimates are significant to the unaudited condensed consolidated financial information. These unaudited condensed consolidated financial information should be read in conjunction with the 2014 annual consolidated financial statements.

### 3. Turnover

	Three months ended 31 January		Nine months ended 31 January	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Contract revenue in respect of construction and building works for the provision of				
– scaffolding service	27,772	19,196	81,549	62,895
– fitting out service	7,873	3,107	7,913	13,721
Management contracting service	143	612	2,893	871
Gondolas, access equipment, parapet railing installation and maintenance services	1,721	5,255	8,099	10,027
	<u>37,509</u>	<u>28,170</u>	<u>100,454</u>	<u>87,514</u>

### 4. Finance Costs

	Three months ended 31 January		Nine months ended 31 January	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest on bank loans				
– wholly repayable within five years	382	419	1,185	1,524
– wholly repayable beyond five years	169	186	517	261
Interest on other loans	27	179	317	379
Interest on obligations under finance leases	16	23	52	73
Interest on convertible bonds	2,351	–	3,924	–
	<u>2,945</u>	<u>807</u>	<u>5,995</u>	<u>2,237</u>
Less: Amount capitalised in construction contracts	(212)	(243)	(634)	(623)
	<u>2,733</u>	<u>564</u>	<u>5,361</u>	<u>1,614</u>

### 5. Taxation

Taxation credit/(charge) comprises:

	Three months ended 31 January		Nine months ended 31 January	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Hong Kong Profits Tax – current period	994	504	252	283
Deferred tax – current period	–	–	–	–
	<u>994</u>	<u>504</u>	<u>252</u>	<u>283</u>

Hong Kong Profits Tax was provided at the rate of 16.5% for the 9 months ended 31 January 2015 and 31 January 2014 on the estimated assessable profit arising in or derived from Hong Kong.

No Macau Complementary Tax has been provided as the Group had no assessable profits subject to such tax for the nine months ended 31 January 2015.

## 6. Dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 31 January 2015 (nine months ended 31 January 2014: Nil).

## 7. Loss per share

The calculation of the basic loss per share is based on the unaudited net loss attributable to equity holders of the Group for the three months and nine months ended 31 January 2015 amounting to approximately HK\$5,414,000 and approximately HK\$3,138,000 respectively (three months and nine months ended 31 January 2014: HK\$2,490,000 and approximately HK\$1,421,000 respectively). The weighted average numbers of ordinary shares for the purpose of basic and diluted loss per share are as follows:

	For the three months ended 31 January			For the nine months ended 31 January		
	2015 (Unaudited)	2014 (Unaudited, as restated) (Note 3)	2014 (Unaudited, as previously stated)	2015 (Unaudited)	2014 (Unaudited, as restated) (Note 3)	2014 (Unaudited, as previously stated)
Weighted average number of ordinary shares for the purpose of calculating loss per share						
- basic	<u>479,438,173</u>	<u>281,766,353</u>	<u>1,127,065,410</u>	<u>416,688,028</u>	<u>280,549,233</u>	<u>1,122,196,932</u>
	(Note 1)		(Note 2)	(Note 1)		(Note 2)
- diluted	<u>479,438,173</u>	<u>287,149,164</u>	<u>1,148,596,658</u>	<u>416,688,028</u>	<u>282,861,152</u>	<u>1,131,444,611</u>
	HK Cents	HK Cent (Restated)	HK Cent (Previously stated)	HK Cent	HK Cent (Restated)	HK Cent (Previously stated)
Loss per share						
- Basic	(1.129)	(0.884)	(0.221)	(0.753)	(0.507)	(0.127)
- Diluted	(1.129)	(0.867)	(0.217)	(0.753)	(0.502)	(0.126)

### Notes:

- No adjustment has been made to the loss per share amount presented in respect of the share options and convertible bonds outstanding during the three months and nine months ended 31 January 2015 as both have an anti-dilutive effect on the loss per share amount presented.
- The weighted average number of ordinary shares during the three months ended and nine months ended 31 January 2014 had effect of dilution arising from certain of the Company's outstanding share options amounting to 21,531,248 shares (previously stated) and 9,247,679 shares (previously stated) respectively.
- The weighted average numbers of ordinary shares for the three months and nine months ended 31 January 2014 and 2015 for the purpose of basic and diluted loss per share have been adjusted and restated respectively resulting from the share consolidation completed on 21 August 2014.

## **8. Event After the End of the Reporting Period**

Reference is made to the circular of the Company dated 13 February 2015 in respect of (i) Proposed Share Consolidation, (ii) Proposed Increase in Authorised Share Capital; and (iii) Placing of New Consolidated Shares under a Specific Mandate (collectively referred to the “Proposals”). Unless otherwise specified herein, capitalised terms used in this report shall have the same meanings as those defined in the circular.

The Proposals were approved by the shareholders of the Company at a special general meeting of the Company held on 5 March 2015. The Proposals involved the followings:

### **1. Share Consolidation**

The Share Consolidation pursuant to which every five issued and unissued ordinary shares have been consolidated into one Consolidated Share and became effective on 6 March 2015.

### **2. Increase in Authorised Share Capital**

Subject to the Share Consolidation became effective, the authorised share capital of the Company has been increased from HK\$100,000,000 divided into 500,000,000 Consolidated Shares to HK\$400,000,000 divided into 2,000,000,000 Consolidated Shares by the creation of an additional 1,500,000,000 Consolidated Shares.

### **3. Placing of New Consolidated Shares under a Specific Mandate**

The Placing Agent has conditionally agreed to place a maximum number of 540,000,000 new Consolidated Shares, on a best effort basis, to not less than six Places at the Placing Price of HK\$0.30 per Placing Share. The Long Stop Date of the Placing will be 4 April 2015.

Further details of which are set out in the announcements of the Company dated 21 January 2015, 10 February 2015 and 5 March 2015, and the Circular of the Company dated 13 February 2015.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

For the nine months ended 31 January 2015 (herein referred to as the 'reporting period'), the turnover of the Group increased by approximately 15% to approximately HK\$100,454,000 from HK\$87,514,000 during the corresponding period in 2014. Net loss attributable to equity holders of the Company for the reporting period was approximately HK\$3,138,000, representing an increase of approximately 121% against that of the same period in 2014.

The scaffolding division's business operations were generally encouraging due to active major construction projects underway in Hong Kong during the period under review. During the same period, the scaffolding division won 8 new works contracts despite today's intensely competitive market. The patented scaffolding system known as "Pik-Lik" was introduced and its utilization rate has reached approximately 15%, which contributed greatly to the Group's revenues.

The Group established a new 51% owned subsidiary, Sense Key Design Holdings Limited ("Sense Key"), of the fitting out business division to provide interior design services for residential properties in Hong Kong, which is expected to further improve the operating results of the fitting out division and bring additional benefits to the Group's future development. As of 31 January 2015, the Group secured 7 new fitting out and interior design service projects.

The Group's fleet of temporary gondolas in the access equipment division achieved a nearly full rate of utilisation. Moreover, a contract for the supply and installation of a building maintenance unit at the Hong Kong University Station together with the testing and commissioning process have been completed prior to the opening of the West Island Line of the Mass Transit Railway Corporation (MTRC). During the reporting period, the Group purchased an additional 20 temporary gondolas to meet increasing demand and expects that the continued boom in the rental market for temporary gondolas will further boost the access equipment division's operating results.

The management contracting business division's agreement for the supply of glass reinforced concrete (GRC) panels and smoke barriers for the MTRC Express Rail Link in Shek Kong had proceeded on schedule and approached full completion during the period under review.

The Group completed a 20% shares subscription in the real estate agency for overseas properties – AP Asset Limited on 19 November 2014. The subscription was a good start in diversifying the Group's investment portfolio and extends our business presence to overseas markets, which will bring benefits to the Group in the long run.

## **Business outlook**

In light of the positive economic outlook for Hong Kong, infrastructure and construction projects look set to maintain an upward momentum for stable growth. With this in mind, the Group is confident that the deployment of the “Pik-Lik” scaffolding system will become more prevalent due to its greater cost efficiency and manpower reduction.

Despite brighter prospects of the market as a whole, the Group will continue to maintain its policy of stringent cost controls and streamlining operations in order to optimise efficiency and achieve better financial results. Moreover, the Group will continue to expand the scope of our businesses and bring in new dynamics for the Group’s revenue growth. The Group will attempt to engage in the money lending business and the investment in securities of listed and non-listed companies. Meanwhile, the Group will look to secure all viable investment and acquisition opportunities to expand our geographic footprint.

During the period under review, the management of the Group is committed to vigilant cost control in all operating units. By undertaking stringent budget control and in view of the current increased number of infrastructure development projects in Hong Kong, our management is of the opinion that the Group’s business is in the right track and would improve steadily in the ensuing reporting periods.

## **Financial Review**

For the three months and nine months ended 31 January 2015, the Group’s revenue amounted to approximately HK\$37,509,000 and HK\$100,454,000 respectively. These represent an increase of approximately 33% and approximately 15% respectively as compared with the corresponding periods in the preceding financial year. This increase in revenue is largely attributable to the higher contract price awarded to the scaffolding division together with the revenue contributed by Sense Key of the fitting out business division during the period under review.

During the period under review, gross profit of the Group increased from approximately HK\$10,298,000 to approximately HK\$15,484,000 as compared with the nine-month period ended 31 January 2014. This resulted mainly from the combined factors of increased turnover and a higher profit margin for contracts awarded to the scaffolding and fitting out business divisions.

Due to ongoing business expansion and diversification, operating and administrative expenses increased from approximately HK\$11,922,000 to approximately HK\$16,546,000. Finance costs increased from approximately HK\$1,614,000 to approximately HK\$5,361,000. These were mainly due to (i) the granting of share options amounting to approximately HK\$1,723,000 (nine months ended 31 January 2014: Nil), (ii) legal and professional fees amounting to approximately HK\$1,642,000 (nine months ended 31 January 2014: HK\$644,000), (iii) administrative expenses incurred by Sense Key amounting to approximately HK\$1,150,000 (nine months ended 31 January 2014: Nil) and (iv) interest on convertible bonds amounting to approximately HK\$3,924,000 (nine months ended 31 January 2014: Nil) arising from acquisition of a subsidiary and other fund raising activities which occurred during the period. 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.

## Use of proceeds from fund raising activities

Particulars of fund raising activities during the period are as follows:

Date of announcement	Fund raising activity	Intended use of net proceeds	Actual use of the net proceeds as at the date of this report
21 October 2014 and 31 October 2014	Issue of 79,900,000 new shares under a general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 28 August 2014	The aggregate net proceeds of approximately HK\$13.99 million were intended to be used to finance the subscription of shares of AP Assets Limited	All of the net proceeds have been used as intended
27 June 2014, 28 July 2014, 20 August 2014 and 28 August 2014	Placing of Convertible Bonds in the aggregate principal amount of HK\$30,000,000 pursuant to the specific mandate granted to the Directors by the Shareholders at the extraordinary general meeting of the Company held on 20 August 2014	The aggregate net proceeds of approximately HK\$28.61 million were intended to be used as to (i) approximately HK\$17.36 million for the acquisition of 51% interest in Dragon Oriental Investment Limited; and (ii) approximately HK\$11.25 million as general working capital of the Group, out of which (a) approximately HK\$3.00 million would be allocated for repayment of bank overdraft of the Group; and (b) approximately HK\$8.25 million would be allocated for payment of operational outgoings (such as payroll costs, other administrative expenses and professional fees)	All of the net proceeds have been used as follows:  (i) approximately HK\$17.36 million had been used as intended;  (ii) approximately HK\$4.02 million had been applied for repayment of bank loans and bank overdraft of the Group; and  (iii) approximately HK\$7.23 million had been applied as general working capital of the Group

## Share option scheme

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

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

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

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

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

During the nine months ended 31 January 2015, a total of 20,955,000 share options having an aggregate fair value of approximately HK\$1,723,000 were granted to the directors and their associates, senior management and two consultants.

### **Pre-emptive rights**

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

### **Management contract**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the nine months ended 31 January 2015.

## Directors' interests in contracts of significance

No contracts of significance to which the Company or its subsidiaries was a party and in which a Director had a material interest subsisted at the end of the nine-month period or at any time during the nine months ended 31 January 2015.

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

As at 31 January 2015, the interests and short positions of the Directors 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 Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### Long positions in shares

#### Shares

Name of director	Number of ordinary shares held		Percentage of the issued share capital of the Company
	Personal interest	Family interest	
Dr. So Yu Shing	2,075,000	2,075,000	0.87%
Ms. Lai Yuen Mei, Rebecca	2,075,000	2,075,000	0.87%
Mr. Kong Kam Wang	2,761,250	–	0.58%
Mr. So Wang Chun, Edmond	500,000	–	0.10%
Mr. Ng Tang	3,460,000	–	0.72%
Mr. Lam Kwok Wing	500,000	–	0.10%

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

## Long positions in underlying shares

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 1.5.2014	Granted during the period	Exercised during the period	Share consolidation	Revised exercise price HK\$	Lapsed during the period	Outstanding at 31.1.2015
Dr. So Yu Shing	14 May 2014	28 May 2014 to 27 May 2016	0.078	-	5,540,000	-	(4,155,000)	0.312	-	1,385,000
Ms. Lai Yuen Mei, Rebecca	14 May 2014	28 May 2014 to 27 May 2016	0.078	-	5,540,000	-	(4,155,000)	0.312	-	1,385,000
Mr. Kong Kam Wang	2 May 2008	9 November 2008 to 8 November 2014	0.217	2,900,000	-	-	(2,175,000)	0.868	(725,000)	-
	20 May 2014	4 June 2014 to 3 June 2016	0.081	-	3,000,000	-	(2,250,000)	0.324	-	750,000
Mr. So Wang Chun, Edmond	8 November 2010	8 December 2010 to 7 December 2016	0.128	9,000,000	-	-	(6,750,000)	0.512	-	2,250,000
	14 May 2014	28 May 2014 to 27 May 2016	0.078	-	2,840,000	-	(2,130,000)	0.312	-	710,000
Mr. Ng Tang	14 May 2014	28 May 2014 to 27 May 2016	0.078	-	13,840,000	(13,840,000)	-	0.312	-	-
Mr. Yuen Chun Fai	14 May 2014	28 May 2014 to 27 May 2016	0.078	-	13,840,000	-	(10,380,000)	0.312	-	3,460,000
Dr. Fung Ka Shuen	9 November 2012	23 November 2012 to 22 November 2014	0.061	2,000,000	-	-	(1,500,000)	0.244	(500,000)	-
				<u>13,900,000</u>	<u>44,600,000</u>	<u>(13,840,000)</u>	<u>(33,495,000)</u>		<u>(1,225,000)</u>	<u>9,940,000</u>

Save as disclosed above, as at 31 January 2015, 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 January 2015, 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**

<b>Name of substantial shareholders</b>	<b>Number of ordinary shares held</b>
Mr. Tam Siu Ki	25,000,000

Save as disclosed above, as at 31 January 2015, 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 as recorded in the register required to be kept under section 336 of the SFO.

## **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

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

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

During the nine months ended 31 January 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

During the period, the Company has applied the principles of the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules. A report on the principal corporate governance practices adopted by the Company is set out in the 2014 annual report of the Company.

In full compliance with rule 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three independent non-executive directors and at least one of them has the appropriate professional qualifications or accounting or related financial management expertise.

For the nine months ended 31 January 2015, the Company has complied with Code Provision A.5.6 in the revised Corporate Governance Code and the Corporate Governance Report.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Board has adopted a board diversity policy with effect from 1 September 2013. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge.

#### **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

During the nine months ended 31 January 2015, the Company had adopted a code of conduct regarding directors' securities transactions as set out in Rules 5.46 to 5.68 of the GEM Listing Rules. The Company had also made specific enquiry of all directors and was not aware of any non-compliance with the required standard of dealings and the code of conduct regarding securities transactions by directors.

#### **COMPETING INTERESTS**

None of the directors or the management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had any business which competed or might compete with the business of the Group.

#### **AUDIT COMMITTEE**

The Company has established an audit committee on 9 November 2001 with written terms of reference in compliance with the GEM Listing Rules. The audit committee has three members, namely Mr. Lam Kwok Wing, Mr. Law Man Sang and Dr. Fung Ka Shuen, all being independent non-executive directors. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to review the Company's annual reports and accounts, and half yearly and quarterly reports.

The Group's unaudited consolidated results for the nine months ended 31 January 2015 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.

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. Ng Tang (Executive Director), Mr. Yuen Chun Fai (Executive Director), Mr. Lam Kwok Wing (Independent Non-executive Director), Mr. Law Man Sang (Independent Non-executive Director) and Dr. Fung Ka Shuen (Independent Non-executive Director).

On behalf of the Board

**So Yu Shing**  
*Chairman*

Hong Kong, 12 March 2015