



**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 2015/2016**

\* *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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**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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## RESULTS FOR THE THREE MONTHS ENDED 31 JULY 2015

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 2015 together with the unaudited comparative figures for the corresponding period in 2014 as follows:

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

		<b>Three months ended</b>	
		<b>31 July</b>	
	<i>Notes</i>	<b>2015</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2014 <b>(Unaudited)</b> <b>HK\$'000</b>
Turnover	3	<b>39,780</b>	30,580
Cost of sales		<b>(29,592)</b>	(21,848)
Gross profit		<b>10,188</b>	8,732
Other income		<b>1,411</b>	282
Operating and administrative expenses		<b>(6,796)</b>	(6,669)
Finance costs		<b>(566)</b>	(530)
Share of results of associates		<b>384</b>	–
Profit before taxation		<b>4,621</b>	1,815
Taxation	4	<b>(700)</b>	(328)
Profit for the period		<b>3,921</b>	1,487
Other comprehensive income, net of tax		–	–
Total comprehensive income for the period		<b>3,921</b>	1,487
Profit and total comprehensive income attributable to:			
Equity holders of the Company		<b>1,911</b>	1,528
Non-controlling interests		<b>2,010</b>	(41)
		<b>3,921</b>	1,487
Dividend per share	5	–	–
Earnings per share		<b>(Unaudited)</b>	(Unaudited) (Restated)
– basic	6	<b>HK0.038 cent</b>	HK0.258 cent
– diluted	6	<b>HK0.037 cent</b>	HK0.258 cent

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 July 2015

	Attributable to equity holders of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Contributed surplus	Merger reserve	Share option reserve	Warrant reserve	Accumulated losses			
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000 (Note 1)	HK\$ '000 (Note 2)	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
At 1 May 2014 (Audited)	13,843	143,393	-	2,222	1,644	200	(61,679)	99,623	(6,454)	93,169
Total comprehensive income for the period	-	-	-	-	-	-	1,528	1,528	(41)	1,487
Exercise of warrants	2,000	13,000	-	-	-	-	-	15,000	-	15,000
Grant of share options	-	-	-	-	1,723	-	-	1,723	-	1,723
At 31 July 2014 (Unaudited)	<u>15,843</u>	<u>156,393</u>	<u>-</u>	<u>2,222</u>	<u>3,367</u>	<u>200</u>	<u>(60,151)</u>	<u>117,874</u>	<u>(6,495)</u>	<u>111,379</u>
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 (Note 3)	(120,818)	-	120,818	-	-	-	-	-	-	-
Expenses on capital reorganisation	-	-	(210)	-	-	-	-	(210)	-	(210)
Amounts transferred to set off against accumulated losses (Note 4)	-	-	(42,318)	-	-	-	42,318	-	-	-
Issue of bonus shares (Note 5)	44,512	-	(44,512)	-	-	-	-	-	-	-
Expenses on issue of bonus shares	-	-	(26)	-	-	-	-	(26)	-	(26)
At 31 July 2015 (Unaudited)	<u>50,871</u>	<u>62,681</u>	<u>191,086</u>	<u>2,222</u>	<u>2,364</u>	<u>-</u>	<u>(25,639)</u>	<u>283,585</u>	<u>18,326</u>	<u>301,911</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.
3. On 15 May 2015, the Board proposed to implement the capital reorganisation ("Capital Reorganisation") which involved the following:
  - (a) the issued share capital of the Company would be reduced through a cancellation of the paid up capital to the extent of HK\$0.19 on each of the issued shares such that the nominal value of each issued shares would be reduced from HK\$0.20 to HK\$0.01 ("Capital Reduction");
  - (b) immediately following the Capital Reduction, each of the authorised but unissued share of HK\$0.20 each be subdivided into twenty (20) new shares of HK\$0.01 each ("New Shares"); and
  - (c) the credits arising in the books of the Company from the Capital Reduction of approximately HK\$120,818,000 would be credited to the contributed surplus account of the Company within the meaning of the Companies Act 1981 of Bermuda (as amended).

The shareholders of the Company approved the Capital Reorganisation at the special general meeting of the Company held on 18 June 2015. Immediately following the Capital Reorganisation which become effective on 19 June 2015, the authorised share capital of the Company was HK\$400,000,000 divided into 40,000,000,000 New Shares of HK\$0.01 each, of which 635,887,634 New Shares were in issue.

4. Immediately following the Capital Reorganisation becoming effective on 19 June 2015, the credit balance in the contributed surplus account of the Company had been transferred to set off against the accumulated loss of approximately HK\$42,318,000 of the Company as at that date.
5. On 15 May 2015, the Board also proposed, subject to the Capital Reorganisation becoming effective, a bonus issue ("Bonus Issue") of New Shares on the basis of seven (7) bonus shares for every one (1) New Share held by the shareholders of the Company whose names appear on the register of members of the Company on 26 June 2015, being the record date for the purpose of determination of entitlement to the Bonus Issue. The shareholders of the Company approved the Bonus Issue at the special general meeting of the Company held on 18 June 2015. The Bonus Issue was completed on 3 July 2015, immediately after which the number of New Shares in issue increased to 5,087,101,072.

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 and money lending 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

The unaudited condensed consolidated financial statements for the three months ended 31 July 2015 (the “First Quarterly Financial Statements”) have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”). The First Quarterly Financial Statements do not include all the information required in annual financial statements in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 April 2015 (the “Annual Report 2015”).

The accounting policies and methods of computation applied in the preparation of the First Quarterly Financial Statements are consistent with those applied in preparing the Annual Report 2015 except for the adoption of new or revised standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1 May 2015. The adoption of these new or revised standards, amendments and interpretations did not result in any substantial changes to the accounting policies of the Group. In addition, the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The First Quarterly Financial Statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values.

The preparation of the First Quarterly Financial Statements in conformity with HKFRSs requires the use of certain critical accounting estimates. The significant judgments, estimates and assumptions applied in the preparation of the First Quarterly Financial Statements are consistent with those used in the Annual Report 2015.

## 3. Turnover

	Three months ended 31 July	
	2015	2014
	HK\$'000	HK\$'000
Contract revenue in respect of construction and buildings work for the provision of		
– scaffolding services	26,365	26,238
– fitting out services	12,283	40
Management contracting services	–	1,901
Gondolas, parapet railings and access equipment installation and maintenance services	532	2,401
Interest income from money lending business	600	–
	<b>39,780</b>	<b>30,580</b>

#### 4. Taxation

The taxation charge comprises:

	Three months ended 31 July	
	2015 HK\$'000	2014 HK\$'000
Hong Kong Profits Tax – current year	(700)	(328)
Other jurisdiction – current year	–	–
	<u>(700)</u>	<u>(328)</u>

Hong Kong Profits Tax is calculated at 16.5% (three months ended 31 July 2014: 16.5%) of the assessable profit for the three months ended 31 July 2015.

No Macau Complementary Tax has been provided as the Group had no assessable profits subject to such tax for the three months ended 31 July 2015 and 2014.

#### 5. Dividend

The Directors do not recommend the payment of any dividend for the three months ended 31 July 2015 (three months ended 31 July 2014: Nil).

#### 6. Earnings per share

The calculation of the basic earnings per share is based on the unaudited profit attributable to shareholders for the three months ended 31 July 2015 of approximately HK\$1,911,000 (three months ended 31 July 2014: approximately HK\$1,528,000). 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		
	2015 (Unaudited)	2014 (Unaudited, as restated) (Note)	2014 (Unaudited, as previously stated)
Weighted average number of ordinary shares for the purpose of calculating earnings per share			
Basic	5,087,101,072	593,072,903	1,482,682,258
Effect of dilutive potential ordinary shares on share options	<u>17,647,911</u>	–	–
Diluted	<u>5,104,748,983</u>	<u>593,072,903</u>	<u>1,482,682,258</u>
	<i>HK Cent</i>	<i>HK Cent</i> (Restated)	<i>HK Cent</i> (Previously stated)
Earnings per share			
– Basic	0.038	0.258	0.103
– Diluted	0.037	0.258	0.103

Note: The weighted average numbers of ordinary shares for the three months ended 31 July 2014 for the purpose of basic and diluted earnings per share have been adjusted and restated retrospectively resulting from the share consolidations completed on 21 August 2014 and 6 March 2015 respectively and the issue of bonus shares completed on 3 July 2015.

## 7. Events after the end of the reporting period

### (i) Proposed issue of new shares to SKCM TMT I, L.P. and Avant Capital Management (HK) Limited

On 19 June 2015 and 22 June 2015, the Company (as issuer) and Shin Kong Capital Management Inc. (“Shin Kong”) and Avant Capital Management (HK) Limited (“Avant Capital”) (as subscribers) entered into the framework agreement and the supplemental framework agreement (collectively as “Framework Agreement”) respectively, pursuant to which the Company conditionally agreed to allot and issue and each of Shin Kong and Avant Capital conditionally agreed to subscribe new shares of the Company.

On 3 August 2015, the Company (as issuer) and SKCM TMT I, L.P. (“SKCM”) (as subscriber) (to whom Shin Kong had novated all its rights and obligations under the Framework Agreement) entered into the subscription agreement (“SK Subscription Agreement”), pursuant to which the Company has conditionally agreed to allot and issue, and SKCM has conditionally agreed to subscribe for, 5,760,000,000 new shares (“SK Subscription”) at the subscription price of HK\$0.06875 per share (“Subscription Price”). The Company (as issuer) and Avant Capital also entered into the subscription agreement (“AC Subscription Agreement”), pursuant to which the Company has conditionally agreed to allot and issue, and Avant Capital has conditionally agreed to subscribe for, 1,920,000,000 new shares (“AC Subscription”) at the Subscription Price.

Details are set out in the Company’s announcements dated 23 June 2015 and 12 August 2015.

### (ii) Termination of SK Subscription Agreement and lapse of AC Subscription Agreement

On 10 August 2015, the Company and SKCM entered into the termination agreement (“Termination Agreement”) to terminate the SK Subscription Agreement with immediate effect from the date of the Termination Agreement.

As the completion of AC Subscription is conditional upon the SK Subscription becoming unconditional and the SK Subscription taking place simultaneously therewith, the AC Subscription Agreement lapsed upon entering into the Termination Agreement on 10 August 2015.

Details are set out in the Company’s announcement dated 12 August 2015.

### (iii) New AC Subscription Agreement

On 12 August 2015, the Company (as issuer) and Avant Capital (as subscriber) entered into the subscription agreement (“New AC Subscription Agreement”) pursuant to which the Company has conditionally agreed to allot and issue, and Avant Capital has conditionally agreed to subscribe for, 1,920,000,000 new shares at the Subscription Price, subject to the Company having entered into agreement(s) relating to the issue of not less than 360,000,000 and not more than 5,760,000,000 shares by the Company (“Possible Fund Raising Exercise”) and the completion of such Possible Fund Raising Exercise, which conditions are not capable of being waived.

Details are set out in the Company’s announcements dated 12 August 2015 and 13 August 2015.

### (iv) Proposed issue of new shares under specific mandate

On 17 August 2015, the Company and Black Marble Securities Limited (“Placing Agent”) entered into the placing agreement pursuant to which the Company has conditionally appointed the Placing Agent to procure, as placing agent of the Company, not less than six placees to subscribe, failing which, the Placing Agent itself will subscribe, for 360,000,000 shares at the Subscription Price. The Company and the Placing Agent also entered into another placing agreement pursuant to which the Company has conditionally appointed the Placing Agent to procure, on a best effort basis, as placing agent of the Company, not less than six placees to subscribe for a maximum of 5,400,000,000 shares at the Subscription Price.

Details are set out in the Company’s announcement dated 18 August 2015.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review and outlook

For the three months ended 31 July 2015, the turnover of the Group amounted to approximately HK\$39,780,000, representing an increase of approximately 30% as compared with that of the corresponding period in 2014. Net profit attributable to equity holders of the Company for the three months ended 31 July 2015 was approximately HK\$1,911,000, representing an increase of approximately 25% as compared with that of the corresponding period in 2014.

During the period under review, the business operations of the scaffolding division continued to experience severe competition from competitors with lower profit margin and limited room for price increases. The turnover of the scaffolding division remained stable as compared with that of the corresponding period in 2014. During the three months ended 31 July 2015, the scaffolding division was awarded four (2014: two) new works contracts for the provision of scaffolding services despite the keen competition continued in the construction market.

In regard to the fitting out division, Sense Key Design Holdings Limited (“Sense Key”), the Group’s 51% owned subsidiary, continued to contribute satisfactory revenue for the Group during the three months ended 31 July 2015. During the period under review, Sense Key was awarded nine new works contracts for the provision of fitting out and interior design services. The Group expects good market outlook for the fitting out division and will continue to devote further resources for the development of Sense Key during ensuing periods.

In regard to the access equipment division, the Group’s fleet of temporary gondolas achieved a lower rate of utilization as compared with that of the corresponding period in 2014 due to seasonal factors arising from temporary decrease in demand and shortage of skilled labour in the market. Nevertheless, with the level of current fleet of temporary gondolas, the Group remains confident that the temporary gondolas market will become boom in the future and will improve the operating results of the access equipment division in the near future.

As for the management contracting business division, the contract for the supply of glass reinforced concrete (GRC) panels and smoke barriers for the MTRC Express Rail Link in Shek Kong approached completion during the reporting period.

In regard to real estate agency business, AP Assets Limited (“AP Assets”), the Group’s 20% owned associate, contributed approximately HK\$384,000 to the consolidated financial results for the Group during the three months period ended 31 July 2015. The Group expects to see a continually increasing demand for overseas real estate which will further boost the contribution of AP Assets to the Group’s consolidated financial results in later periods.

The Group has been striving to expand its business portfolio with focus on the money lending business development. In August 2015, the Group proposed a placing of new shares with maximum aggregate net proceeds of HK\$389.22 million, of which HK\$180.00 million will be used for the development of money lending business. In view of more rigid and stricter conventional bank lending requirements, licensed and non-bank money lenders provide improved and more convenient alternatives for potential borrowers to obtain flexible liquidity solution, catering for increasing demands for loan services. The Group considers it will likely be a major future profit growth catalyst.

During the period under review, the management of the Group strictly adhered to the vigilant cost control strategy in all operating units and successfully maintained its cost level and will carry on this strategy in the near-term future. Riding on the promising market outlook with loads of infrastructure constructions and real estate development projects in Hong Kong, the Group is confident that the Group's business development direction is on the right track and will post a steadily improving and satisfactory performance in the foreseeable future, thus enhancing shareholders' value.

## **Financial Review**

For the three months ended 31 July 2015, total revenue of the Group increased by about 30% to approximately HK\$39,780,000. Gross profit increased by about 17% to approximately HK\$10,188,000.

Administrative expenses and finance costs increased slightly during the period under review as compared to those of the corresponding period in 2014. Nevertheless, the Group is committed to adopting the policy of vigilant cost control across all operating units.

## **Capital Structure**

### *1. Capital Reorganisation*

On 15 May 2015, the Board proposed to implement the Capital Reorganisation which involved the following:

- (a) the issued share capital of the Company would be reduced through a cancellation of the paid up capital to the extent of HK\$0.19 on each of the issued shares such that the nominal value of each issued shares would be reduced from HK\$0.20 to HK\$0.01;
- (b) immediately following the Capital Reduction, each of the authorised but unissued share of HK\$0.20 each be subdivided into twenty (20) new shares of HK\$0.01 each; and
- (c) the credits arising in the books of the Company from the Capital Reduction of approximately HK\$120,818,000 would be credited to the contributed surplus account of the Company within the meaning of the Companies Act 1981 of Bermuda (as amended).

The shareholders of the Company approved the Capital Reorganisation at the special general meeting of the Company held on 18 June 2015. Immediately following the Capital Reorganisation which become effective on 19 June 2015, the authorised share capital of the Company was HK\$400,000,000 divided into 40,000,000,000 New Shares of HK\$0.01 each, of which 635,887,634 New Shares were in issue.

Immediately following the Capital Reorganization becoming effective on 19 June 2015, the credit balance in the contributed surplus account of the Company had been transferred to set off against the accumulated loss of approximately HK\$42,318,000 of the Company as at that date.

On 15 May 2015, the Board also proposed, subject to the Capital Reorganisation becoming effective, a bonus issue of New Shares on the basis of seven (7) bonus shares for every one (1) New Share held by the shareholders of the Company whose names appear on the register of members of the Company on 26 June 2015, being the record date for the purpose of determination of entitlement to the Bonus Issue. The shareholders of the Company approved the Bonus Issue at the special general meeting of the Company held on 18 June 2015. The Bonus Issue was completed on 3 July 2015, immediately after which the number of New Shares in issue increased to 5,087,101,072.

## 2. *Bonus Issue*

On 15 May 2015, the Board proposed a bonus issue of New Shares on the basis of seven (7) bonus shares for every one (1) New Share held by the shareholders of the Company whose names appear on the register of members of the Company on 26 June 2015, being the record date for the purpose of determination of entitlement to the Bonus Issue. The shareholders of the Company approved the Bonus Issue at the special general meeting of the Company held on 18 June 2015. The Bonus Issue was completed on 3 July 2015, immediately after which the number of New Shares in issue increased to 5,087,101,072.

### **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 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 three-month period or at any time during the three months ended 31 July 2015.

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

As at 31 July 2015, 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

#### 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	3,320,000	3,320,000	0.13%
Ms. Lai Yuen Mei, Rebecca	3,320,000	3,320,000	0.13%
Mr. Kong Kam Wang	1,778,000	–	0.03%
Mr. So Wang Chun, Edmond	800,000	–	0.02%
Mr. Ng Tang	5,536,000	–	0.11%

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.

## 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 1.5.2015	Granted during the period	Exercised during the period	Lapsed during the period	Adjustment due to issue of bonus shares	Revised exercise price HK\$	Outstanding at 31.7.2015
Dr. So Yu Shing	14 May 2014	28 May 2014 to 27 May 2016	1.56	277,000	-	-	-	1,939,000	0.195	2,216,000
Ms. Lai Yuen Mei, Rebecca	14 May 2014	28 May 2014 to 27 May 2016	1.56	277,000	-	-	-	1,939,000	0.195	2,216,000
Mr. Kong Kam Wang	20 May 2014	4 June 2014 to 3 June 2016	1.62	150,000	-	-	-	1,050,000	0.2025	1,200,000
Mr. So Wang Chun, Edmond	8 November 2010	8 December 2010 to 7 December 2016	2.56	450,000	-	-	-	3,150,000	0.32	3,600,000
	14 May 2014	28 May 2014 to 27 May 2016	1.56	142,000	-	-	-	994,000	0.195	1,136,000
Mr. Yuen Chun Fai	14 May 2014	28 May 2014 to 27 May 2016	1.56	692,000	-	-	-	4,844,000	0.195	5,536,000
				1,988,000	-	-	-	13,916,000		15,904,000

Save as disclosed above, as at 31 July 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 July 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

Name	Capacity/Nature of Interest	Number of ordinary shares in the Company	Percentage of shareholding as at 31 July 2015 (Approximate)
Shin Kong (Note 1)	Beneficial owner	5,760,000,000	45.12%
Avant Capital (Note 1)	Beneficial owner	2,172,000,000	17.01%
Orient Time Investment Limited ("Orient Time") (Note 2)	Beneficial owner	504,000,000	9.91%
China Environmental Energy Investment Limited ("China Environmental Energy") (Note 2)	Interest of a controlled corporation	504,000,000	9.91%
Tam Siu Ki ("Mr. Tam") (Note 3)	Beneficial owner	40,000,000	0.79%
Much Wealth Trading Limited ("Much Wealth")	Trustee (other than a bare trustee)	432,000,000	8.49%
	Total of Mr. Tam's interest	472,000,000	9.28%
Much Wealth Trading Limited (Note 3)	Beneficiary of a trust (other than a discretionary trust)	432,000,000	8.49%
Zhang Yan	Beneficial owner	254,160,000	5.00%

#### Notes:

- (1) As mentioned in note 7(i) to the First Quarterly Financial Statements, the Company and Shin Kong and Avant Capital entered into the Framework Agreement on 19 June 2015 and 22 June 2015, pursuant to which the Company conditionally agreed to allot and issue and each of Shin Kong and Avant Capital conditionally agreed to subscribe 5,760,000,000 new shares of the Company and 1,920,000,000 new shares of the Company, respectively ("Possible Subscription"). As at the date of Framework Agreement, Avant Capital holds 31,500,000 shares of the Company, which represent approximately 4.95% of the issue share capital in the Company at that date.

Assuming there would not be any change in the issued share capital of the Company from the date of Framework Agreement up to the completion of Possible Subscription, each of Shin Kong and Avant Capital would hold, respectively, approximately 45.12% and approximately 17.01% (including the existing 31,500,000 shares of the Company held by Avant Capital) of the issued share capital in the Company immediately after completion of Possible Subscription.

The Possible Subscription had been terminated after the end of reporting period. Further details of which are set out in notes 7(i) and 7(ii) to the First Quarterly Financial Statements.

- (2) Orient Time is wholly owned by China Environmental Energy. Accordingly, China Environmental Energy is deemed or taken to be interested in all the shares of the Company which are beneficially interested by Orient Time.
- (3) Much Wealth is wholly owned by Mr. Tam. Accordingly, Mr. Tam is deemed or taken to be interested in all the shares of the Company which are beneficially interested by Much Wealth.

Save as disclosed above, as at 31 July 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.

#### **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 2015, 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 2015, 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**

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.

#### **EMPLOYEES AND REMUNERATION POLICIES**

The total number of full-time employees in the Group was 107 at 31 July 2015 (as at 30 April 2015: 100). The Group remunerated its employees on the basis of performance, experience, and the prevailing industry practice. In addition to salaries, employee benefits included medical scheme, insurance, mandatory provident fund and share option schemes.

## **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 First Quarterly Financial Statements have been reviewed by the audit committee which was of the opinion that the results complied with applicable accounting standards, the GEM Listing Rules and legal requirements and that adequate disclosure had been made.

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

Hong Kong, 11 September 2015