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 2018/2019

* *For identification purpose only*

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This report, for which the directors ("Directors") of WLS Holdings Limited ("Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM ("GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are found on bases and assumptions that are fair and reasonable.

RESULTS FOR THE THREE MONTHS ENDED 31 JULY 2018

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 2018 together with the unaudited comparative figures for the corresponding period in 2017 as follows:

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

		Three months ended 31 July	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**46,824**	39,260
Cost of sales		**(26,328)**	(22,974)
Gross profit		**20,496**	16,286
Other income	*4*	**636**	595
Other (loss) and gain, net	*5*	**(13,913)**	(101,055)
Operating and administrative expenses		**(9,825)**	(10,882)
Finance costs	*6*	**(1,800)**	(1,583)
Loss before taxation		**(4,406)**	(96,639)
Taxation	*7*	**(744)**	(1,340)
Loss for the period		**(5,150)**	(97,979)
(Loss)/profit for the period attributable to:			
Owners of the Company		**(4,200)**	(98,314)
Non-controlling interests		**(950)**	335
		(5,150)	(97,979)
Dividend	*8*	**–**	–
		(Unaudited)	(Unaudited)
Loss per share			
– basic	*9*	**HK0.029 cent**	HK0.770 cent
– diluted	*9*	**HK0.029 cent**	HK0.770 cent

	Notes	Three months ended 31 July **2018** **(Unaudited)** ***HK$'000***	 2017 (Unaudited) *HK$'000*
Loss for the period		**(5,150)**	(97,979)
Other comprehensive expense:			
Items that may be reclassified to profit or loss:			
Add:			
Fair value loss on available-for-sale investments		**–**	(49,539)
Fair value change of equity investments at fair value through other comprehensive income		**(3,856)**	–
Other comprehensive expense for the period, net of tax		**(3,856)**	(49,539)
Total comprehensive expense for the period		**(9,006)**	(147,518)
Total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		**(8,056)**	(147,853)
Non-controlling interests		**(950)**	335
		(9,006)	(147,518)

UNADUITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 July 2018

	Attributable to owners of the Company									
	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000* *(Note 1)*	Merger reserve *HK$'000* *(Note 2)*	Share option reserve *HK$'000* *(Note 3)*	Investment revaluation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 May 2017 (Audited)	127,670	507,430	191,087	2,222	–	17,054	(59,337)	786,126	(3,869)	782,257
(Loss)/profit for the period	–	–	–	–	–	–	(98,314)	(98,314)	335	(97,979)
Other comprehensive expense for the period	–	–	–	–	–	(49,539)	–	(49,539)	–	(49,539)
Total comprehensive (expense)/income for the period	–	–	–	–	–	(49,539)	(98,314)	(147,853)	335	(147,518)
At 31 July 2017 (Unaudited)	127,670	507,430	191,087	2,222	–	(32,485)	(157,651)	638,273	(3,534)	634,739
At 1 May 2018 (Audited)	**143,670**	**560,230**	**191,087**	**2,222**	**7,280**	**(8,108)**	**(169,125)**	**727,256**	**(16,807)**	**710,449**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(4,200)**	**(4,200)**	**(950)**	**(5,150)**
Other comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**(3,856)**	**–**	**(3,856)**	**–**	**(3,856)**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**(3,856)**	**(4,200)**	**(8,056)**	**(950)**	**(9,006)**
At 31 July 2018 (Unaudited)	**143,670**	**560,230**	**191,087**	**2,222**	**7,280**	**(11,964)**	**(173,325)**	**719,200**	**(17,757)**	**701,443**

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 general 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 at the relevant grant dates and outstanding as at end of the reporting period.

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 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, and other services for construction and buildings work, money lending business, securities brokerage and margin financing, securities investment business, and assets management business.

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

2. Basis of preparation of the financial statements

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 unaudited condensed consolidated financial statements of the Company 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 2018. Except as described below, the adoption of the new and amendments to HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current and prior periods.

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operation and effective for its accounting period beginning on 1 May 2018. The Group has not early applied the new and revised HKFRSs that have been issued by HKICPA but are yet to be effective.

Change in Accounting Policies

HKFRS 9 – Financial Instruments

The Group has applied HKFRS 9 "Financial Instruments" on 1 May 2018. HKFRS 9 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss ("FVTPL") replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. Upon initial recognition, the Group's financial assets classified as "available-for-sale investment" under HKAS 39, the Group elected to designate these investments at fair value through other comprehensive income on 1 May 2018. The carrying amounts of these financial assets as at 1 May 2018 have not been impacted. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. Under HKFRS 9, it is no longer necessary for a loss event to occur before an impairment loss is recognised.

The application of the expected credit loss model of HKFRS 9 might result in earlier provision of credit losses in relation to the Group's trade receivables measured at amortised cost. However, the adoption of HKFRS 9 has no material effect on the Group's unaudited condensed consolidated financial statements as the credit quality of the financial assets of the Group does not change significantly for the three months ended 31 July 2018.

HKFRS 15 – Revenue from Contracts with Customers

The Group has applied HKFRS 15 "Revenue from Contracts with Customers" on 1 May 2018. This new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 has superseded existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations. As a result, the Group has changed its accounting policy in the unaudited condensed consolidated financial statements for revenue recognition as detailed below.

The Group elects to use the modified retrospective approach which means that the cumulative effect of the adoption of HKFRS 15 will be recognised in retained earnings as of 1 May 2018 and that comparatives will not be restated.

Under HKFRS 15, the Group recognises the revenue from provision of scaffolding and fitting out services when the performance obligation is satisfied over time and measures the progress towards complete satisfaction in accordance with the output method while the customer obtains control of the promised good or service in the contract.

The adoption of HKFRS 15 has no material effect on the adjustments to the opening balance of the retained earnings at 1 May 2018 in the unaudited condensed consolidated statement of changes in equity and the amounts recognised in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

3. Turnover

	Three months ended 31 July	
	2018	2017
	HK$'000	*HK$'000*
Contract revenue in respect of construction and buildings work for the provision of		
– scaffolding services	**31,079**	19,403
– fitting out services	**3,771**	8,557
Gondolas, parapet railings and access equipment installation and maintenance services	**1,134**	2,215
Loan interest income	**10,137**	8,969
Securities brokerage and margin financing	**131**	116
Assets management	**572**	–
	46,824	39,260

4. Other Income

	Three months ended 31 July	
	2018	2017
	HK$'000	*HK$'000*
Foreign exchange (loss)/gain, net	**(7)**	144
Interest income	**111**	17
Rental income	**177**	137
Dividend income	**–**	126
Reversal of allowance for bad and doubtful debts	**209**	153
Sundry Income	**146**	18
	636	595

5. Other (loss) and gain, net

	Three months ended 31 July	
	2018	2017
	HK$'000	*HK$'000*
Gain/(loss) on disposal of financial assets at fair value through profit & loss, net	**1,932**	(46,822)
Fair value loss on financial assets at fair value through profit or loss, net	**(15,845)**	(34,402)
Loss on disposal of an available-for-sale investment	**–**	(19,831)
	(13,913)	(101,055)

6. Finance costs

	Three months ended 31 July	
	2018	2017
	HK$'000	*HK$'000*
Interest on bank borrowings and bank overdrafts	**549**	476
Interest on other loan and other borrowings	**1,224**	1,070
Interest on obligations under finance leases	**27**	37
	1,800	1,583

7. Taxation

Taxation comprises:

	Three months ended 31 July	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
– current period	**744**	1,340

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 2017: 16.5%).

8. Dividend

The Board does not recommend the payment of any dividend for the three months ended 31 July 2018 (three months ended 31 July 2017: Nil).

9. Loss per share

The calculation of the basic loss per share is based on the unaudited net loss attributable to the owners of the Company for the three months ended 31 July 2018 amounting to approximately HK$4,200,000 (three months ended 31 July 2017: HK$98,314,000). The weighted average numbers of ordinary shares for the purpose of basic and diluted loss per share are as follows:

	Three months ended 31 July	
	2018	2017
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating loss per share		
Basic and Diluted	**14,367,101,072**	12,767,101,072
	HK Cent	HK Cent
Loss per share		
– Basic	**0.029**	0.770
– Diluted	**0.029**	0.770

During the three months ended 31 July 2018, the computation of diluted loss per share did not assume the exercise of the Company's outstanding share options because the exercise would result in a decrease in loss per share for the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the three months ended 31 July 2018, (herein referred to as the "Reporting Period"), the turnover of the Group remained stable at approximately HK$46,824,000 (three months ended 31 July 2017: HK$39,260,000). Net loss attributable to the owners of the Company for the three months ended 31 July 2018 was approximately HK$4,200,000 (three months ended 31 July 2017: HK$98,314,000). The significant decrease in loss was mainly due to the decrease in loss incurred from the Group's securities investment portfolios by approximately HK$87,142,000 during the Reporting Period. In addition, comparatively more contract revenue generated from scaffolding business and stable loan interest income generated from money lending business resulted as the increase in turnover during the Reporting Period.

As a result of active residential housing construction, the local construction market expanded at a stable pace during the Reporting Period. As one of Hong Kong's leading scaffolding service providers, the Group successfully delivered 15 projects and secured 5 new projects. In addition, more than 32 projects were currently in progress for the three months ended 31 July 2018. The Group's proprietary "Pik-Lik" scaffolding system renowned for its efficiency and labour cost-savings, has been widely used throughout the industry and currently enjoys a market share that has reached more than 10%.

Due to the keen competition of fitting out services, the Group's revenue from fitting out services had decreased to approximately HK$3,771,000, representing a decrease of approximately 56% compared with same reporting period.

The Group's temporary gondola fleet business continued to generate stable rental income with a satisfactory level of revenue which reached approximately HK$1,134,000 during the Reporting Period.

As for money lending operations, the Group had secured a number of short-term and long-term loan agreements and generated a turnover of approximately HK$10,137,000 during the Reporting Period, representing approximately 13% slightly rise compared with last reporting period. The money lending segment had become the cash cow and profit driver of the Group's overall business.

As mentioned above, the Group's securities investment business had recorded a significant decrease in loss during the Reporting Period.

The Group operated its securities brokerages operations through Ox Financial Securities Limited, its indirect, wholly-owned subsidiary was granted the right to conduct type 1 (dealing in securities) regulated activities by SFC. This business segment contributed revenues of approximately HK$131,000 during the period under review.

Following the acquisition of the entire issued share capital of Blue Pool Ventures Limited, the holding company of Mass Fidelity Asset Management Limited, a licensed insurance broker and registered MPF Corporate Intermediary in Hong Kong, the Group had commenced the business of assets management in March 2018. During the Reporting Period, the assets management business recorded a turnover of approximately HK$572,000.

Business Outlook

Based on the HKSAR's land supply forecast, a total of 460,000 residential units are expected to be added to the market by 2027, generating a great deal of future construction projects. As one of the market leaders with a solid reputation in the local scaffolding industry, the Group is confident about acquiring more contracts. However, continuing high labour costs and fierce competition are expected to last due to the ongoing problem of inadequate labour supply.

Given this scenario, the Group has been actively seeking profitable projects over the past several years in order to diversify its business portfolio and eventually mitigate risks from the competitive construction market.

The Group plans to continue expanding those business segments that generate higher profit margins and show ample growth potential such as money lending and securities brokerage operations. In the meantime, the Group will strictly adhere to its cost control policy, and swiftly adjust business strategies to its scaffolding business in response to ever-changing market dynamics in order to generate better financial returns for shareholders.

Finally, we will actively explore all suitable investment opportunities to diversify the Group's business horizons and will work hard to strengthen overall business development. The Group's business strategy is in line with the general direction of the government's overall strategic development plans for property construction, infrastructure investment and financial market development.

Financial Review

For the three months ended 31 July 2018, the Group's revenue amounted to approximately HK$46,824,000 represents an increase of approximately 19% as compared with the corresponding periods in the preceding financial year. Such increase was mainly due to comparatively more contract revenue generated from scaffolding business and the contribution of substantial revenue from money lending business, which 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$16,286,000 to approximately HK$20,496,000 as compared with the three months ended 31 July 2017. This resulted mainly from the increase in turnover from the scaffolding business and money lending business while money lending business generated higher profit margin.

During the Reporting Period, the operating and administrative expenses remained stable and slightly decreased from approximately HK$10,882,000 to approximately HK$9,825,000. Finance costs increased from approximately HK$1,583,000 to approximately HK$1,800,000. Such stable changes was because the Group continued to adopt its policy of vigilant cost control for the ensuing periods. In addition, 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 2018, the Group had shareholders' equity of approximately HK$719,200,000 (30 April 2018: approximately HK$727,256,000).

SIGNIFICANT INVESTMENTS

As at 31 July 2018, the financial assets at fair value through other comprehensive income ("FATOCI") of the Group amounted to approximately HK$17.1 million and financial assets at fair value through profit or loss ("FVTPL") of the Group amounted to approximately HK$41.5 million. Given that securities investment is one of the Group's ordinary principal businesses, the Directors considered that (i) investments with a carrying amount that account for more than 5% of the Group's unaudited net assets as at 31 July 2018; (ii) investments with a carrying amount that account for more than 5% of the Group's total securities investment as at 31 July 2018; or (iii) investments which recorded realised or unrealised gain/(loss) or impairments or increase/(decrease) in investment revaluation reserve of over HK$5 million during the Reporting Period as significant investments.

Description of investments	Notes	Carrying amount as at 1 May 2018	Acquisition during the Period	Disposal during the Period	Increase/ (decrease) in investment revaluation reserve	Fair value gain/(loss) and gain/(loss) on disposal recognised in profit or loss	Carrying amount as at 31 July 2018	Percentage to the Group's unaudited net assets as at 31 July 2018	Percentage to the Group's unaudited total assets as at 31 July 2018	Percentage to the Group's total securities investment as at 31 July 2018
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*			
Financial assets at FATOCI										
Capital VC Limited ("Capital VC") (stock code: 2324)	*(a)*	10,738	–	–	(3,921)	–	6,817	0.97%	0.72%	11.64%
China Kingstone Mining Holdings Limited ("CKMH") (stock code: 1380)	*(b)*	6,493	–	–	(169)	–	6,324	0.90%	0.67%	10.80%
Equity securities listed in Hong Kong	*(c)*	1,690	–	–	234	–	1,924	0.27%	0.20%	3.29%
Unlisted investment, at cost		2,000	–	–	–	–	2,000	0.29%	0.21%	3.42%
		20,921	–	–	(3,856)	–	17,065	2.43%	1.80%	29.15%
Financial assets at FVTPL										
Convertible bonds ("CB") of China e-Wallet Payment Group Limited (formerly known as RCG Holdings Limited) ("China e-Wallet") (stock code: 802)	*(d)*	28,800	–	–	–	(10,800)	18,000	2.57%	1.91%	30.73%
China Investments and Finance Group Limited ("CIFL") (stock code: 1226)	*(e)*	5,980	–	–	–	920	6,900	0.98%	0.73%	11.78%
Hao Wen Holdings Limited ("Hao Wen") (stock code: 8019)	*(f)*	8,313	–	–	–	(2,888)	5,425	0.77%	0.58%	9.26%
Equity securities listed in Hong Kong	*(g)*	20,679	13,247	(21,606)	–	(1,145)	11,175	1.59%	1.18%	19.08%
		63,772	13,247	(21,606)	–	(13,913)	41,500	5.91%	4.40%	70.85%
		84,693	13,247	(21,606)	(3,856)	(13,913)	58,565	8.34%	6.20%	100.00%

Notes:

(a) Capital VC and its subsidiaries (collectively referred to as the "Capital VC Group") were principally engaged in investing in listed and unlisted companies.

As at 31 July 2018, the Group held 93,380,000 shares of Capital VC, which represented approximately 3.39% of total issued share capital of Capital VC at the same date.

As disclosed in the interim report of Capital VC for the six months ended 31 March 2018, Capital VC expects that (i) the investment environment in the US and other advance economies will be relatively stable; (ii) the anticipated mild and slow interest rate normalisation will not cause significant influence on global investment market; and (iii) in the East, as the China economy is maturing and a more sustainable development is desired, slower future growth levels are to be expected. Accordingly, the directors of Capital VC will continue to adopt cautious measures to manage the Capital VC Group's investment portfolio.

(b) CKMH and its subsidiaries (collectively referred to as the "CKMH Group") were principally engaged in the production and sales of marble and marble related products in China.

As at 31 July 2018, the Group held 84,320,000 shares of CKMH, which represented approximately 2.98% of total issued share capital of CKMH at the same date.

As disclosed in the annual report of CKMH for the year ended 31 December 2017, (i) CKMH expects the demand for construction materials, such as marble stone, to rise gradually once the sales price and transaction volume in the China property market stabilise; however, the CKMH Group will still face a keen competition with the overseas marble stone import suppliers and the CKMH Group will carefully re-position the marketing of the marble products to grab the market share; (ii) while the Zhangjiaba mine of the CKMH Group was still under development and the plan of expansion in calcium carbonate business has not been materialised during the previous financial year, CKMH will focus on its current marble slags business and trading of the marble slabs; (iii) CKMH will continue to consolidate the production and operations and also extend the customer base in order to improve the performance of marble stone business; and (iv) the CKMH Group will continue to explore new business opportunities so arising in order to maximise its shareholders' value in the future.

(c) As at 31 July 2018, equity securities listed in Hong Kong under the category of financial assets at FATOCI represented the Group's investments in two companies whose shares are listed on the Main Board of the Stock Exchange. Each of such investments had a carrying amount that account for (i) less than 5% of the Group's unaudited net assets as at 31 July 2018 and (ii) less than 5% of the Group's total securities investment as at 31 July 2018, and each of such investment did not record a realised or unrealised gain/(loss) or impairments or increase/(decrease) in investment revaluation reserve of over HK$5 million during the Reporting Period.

(d) This investment represented the subscription of CB of China e-Wallet in the total amount of HK$15,000,000 with an interest rate of 2.5% per annum principal amounts and the conversion price being HK$0.25 per conversion share. The CB will mature 36 months from the issuing date (i.e. 14 October 2016). As at 31 July 2018, the fair value of the CB subscribed by the Group was HK$18.0 million based on the valuation report prepared by a professional valuer.

China e-Wallet and its subsidiaries (collectively referred to as the "China e-Wallet Group") were principally engaged in the provision of biometric and RFID products and solution services, internet and mobile application and related services.

As disclosed in the annual report of China e-Wallet for the year ended 31 December 2017, China e-Wallet Group has continued the efforts to consolidate and realign its businesses to enable the China e-Wallet Group to achieve improvements in its financial position. China e-Wallet Group will continue to work towards, attaining a stable platform for sustainability and basis for continuous growth.

(e) CIFL and its subsidiaries (collectively referred to as the "CIFL Group") were principally engaged in securities trading and investment holding.

As at 31 July 2018, the Group held 92,000,000 shares of CIFL, which represented approximately 4.08% of total issued share capital of CIFL at the same date.

As disclosed in the annual report of CIFL for the year ended 31 March 2018, CIFL expects that (i) the global market will continue to face greater challenges and be full of uncertainty, developed economies are beginning to have signs of recovery, but the developing economies also have trends of adjustment; and (ii) China is also facing a slowdown in economic growth, economic structure has undergone significant changes during the transition from medium to long term, crisis and opportunities coexist. Accordingly, the directors of CIFL will continue to take a prudent approach in managing the CIFL Group's investment portfolio and develop the investment strategies. Given the increasing influence of China against the global economy, the CIFL Group will still be based mainly on Chinese economy, the CIFL Group will continue to look for investment opportunities which offer outstanding returns under the acceptable risk in the portfolio of the CIFL Group.

(f) Hao Wen and its subsidiaries (collectively referred to as the "Hao Wen Group") were principally engaged in money lending business, trading and manufacturing of biomass fuel product, and processing and trading of electronic parts.

As at 31 July 2018, the Group held 87,500,000 shares of Hao Wen, which represented approximately 4.08% of total issued share capital of Hao Wen at the same date.

As disclosed in the first quarterly report of Hao Wen for the three months ended 31 March 2018, the Hao Wen Group will (i) devote its existing resources to expand the processing and trading of electronic parts business while keeping steady in the money lending business; and (ii) explore other potential investment opportunities in order to broaden its income sources.

(g) Equity securities listed in Hong Kong under the category of financial assets at FVTPL represented the Group's investments in over twenty companies whose shares were listed on the Main Board or GEM of the Stock Exchange during the Reporting Period. Each of such investments (i) had a carrying amount that account for less than 5% of the Group's unaudited net assets as at 31 July 2018 and less than 5% of the Group's total securities investment as at 31 July 2018, and did not record over HK$5 million of realised or unrealised gain/(loss) during the Reporting Period.

The Directors expect that the stock market in Hong Kong remains to be volatile in 2018 which may affect the performance of the Group's securities investments. Looking forward, the Board believes that the performance of the securities investments of the Group will be dependent on the financial and operating performance of investee companies and market sentiment which are affected by factors such as interest rate movements, the threat of trade war between the US and China, and performance of the macro economy. In order to mitigate the associated risk, the Group will continuously remain cautious in the allocation of resources and the identification and capture of appropriate securities investment opportunities. It will review its investment strategy regularly and take appropriate actions whenever necessary in response to changes in the market.

Save as disclosed above, there were no significant investments held by the Group, no other material acquisitions and disposals by the Group during the Reporting Period.

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.

					Number of share options				
	Date of grant	**Exercisable period**	**Exercise price per shares** *HK$*	**Outstanding at 1 May 2018**	**Granted during the period**	**Lapsed during the period**	**Cancelled during the period**	**Exercised during the period**	**Outstanding as at 31 July 2018**
Consultants	15 September 2017	29 September 2017 to 28 September 2019	0.0186	1,149,030,000	–	–	–	–	*1,149,030,000*

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 2018.

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 2018.

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

As at 31 July 2018, the interests of the Directors and the chief executive of the Company in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to the Rule 5.46 of the GEM Listing Rules were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of the issued share capital of the Company as at 31 July 2018
Dr. So Yu Shing	Beneficial owner	3,320,000	
	Interest of spouse *(note)*	3,320,000	
		6,640,000	0.05%
Ms. Lai Yuen Mei, Rebecca	Beneficial owner	3,320,000	
	Interest of spouse *(note)*	3,320,000	
		6,640,000	0.05%
Mr. Kong Kam Wang	Beneficial owner	1,778,000	0.01%
Mr. So Wang Chun, Edmond	Beneficial owner	800,000	0.01%

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

Save as disclosed above, none of the Directors or the chief executive of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or its associated corporations as at 31 July 2018.

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

As at 31 July 2018, so far as are known to any Directors or chief executive of the Company, the following parties (other than the Directors or chief executive of the Company) had interests in the shares of the Company as recorded in the register required to be kept pursuant to section 336 of the SFO:

Long positions

Name	**Capacity**	**Number of Shares held**	**Approximate percentage of the issued share capital of the Company as at 31 July 2018**
Avant Capital Management (Hong Kong) Limited	Investment manager	1,793,140,000 *(note a)*	12.48%
Avant Capital Eagle Fund	Investment manager	1,415,140,000 *(note a)*	9.85%
Leung Wai Ho	Beneficial owner	1,600,000,000 *(note b)*	11.14%
Chong Man San, Denise	Beneficial owner	1,600,000,000 *(note b)*	11.14%

Notes:

(a) Such Shares include interest in 1,415,140,000 Shares held by Avant Capital Eagle Fund and 378,000,000 Shares held by Avant Capital SPC-Avant Capital Dragon Fund SP, both being wholly-owned subsidiaries of Avant Capital Management (HK) Limited; and

(b) Ms. Chong Man San Denise is the spouse of Mr. Leung Wai Ho.

Save as disclosed above, as at 31 July 2018, the Directors were not aware of any other person (other than a Director or the chief executive of the Company) who had an interest or short position in the shares or underlying shares in 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 three months ended 31 July 2018, 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 2018, the Company had followed a code of conduct regarding directors' securities transactions as set out in Rules 5.46 to 5.68 of the GEM Listing Rules. The Company had also made specific enquiry of all directors and was not aware of any non-compliance with the required standard of dealings and the code of conduct regarding securities transactions by directors.

COMPETING INTERESTS

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

Name of Director	Name of entity which are considered to compete or likely to compete with the business of the Group	Description of competing business	Nature of interests
Kong Kam Wong	KNK Holdings Limited (Stock Code: 8039)	Provision of comprehensive architectural and structural engineering consultancy service	Independent non-executive director
Law Man Sang	KGI Asia Limited	Securities brokerage	Executive director

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

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

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

AUDIT COMMITTEE

The Company established an audit committee of the Board ("Audit Committee") with written terms of reference that clearly establish the Audit Committee's authority and duties. The Audit Committee currently comprises 3 independent non-executive Directors, namely Mr. Lo Ka Ki, Mr. Law Man Sang and Ms. Lam Wai Yu.

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

The Group's unaudited condensed consolidated first quarterly results for the three months ended 31 July 2018 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, 12 September 2018