



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 2022/2023

* *For identification purpose only*

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of WLS Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) of the Stock Exchange for the purpose of giving information with regard to the Company and its subsidiaries (together, the “Group”). 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 aspects 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 WLS Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial information of the Company and its subsidiaries (together the “Group”) for the three months and the nine months ended 31 January 2023 together with the comparative unaudited figures for the corresponding periods in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and nine months ended 31 January 2023

		Three months ended 31 January		Nine months ended 31 January	
		2023	2022	2023	2022
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Restated)		(Restated)
Continuing operations					
Revenue	3	30,555	50,695	115,606	152,969
Cost of sales		<u>(20,952)</u>	<u>(30,565)</u>	<u>(81,285)</u>	<u>(90,884)</u>
Gross profit		9,603	20,130	34,321	62,085
Other income	4	77	23	2,636	588
Other gains and (losses)	5	(17,295)	(8,748)	(42,150)	(27,578)
Operating and administrative expenses		(6,747)	(10,102)	(26,045)	(30,246)
Gain on disposal of subsidiaries	6	–	–	205	29,261
Gain on disposal of property, plant and equipment		–	–	15	–
Finance costs	7	<u>(1,824)</u>	<u>(1,974)</u>	<u>(5,502)</u>	<u>(6,424)</u>
(Loss) profit before taxation		(16,186)	(671)	(36,520)	27,686
Taxation	8	<u>(522)</u>	<u>(43)</u>	<u>(1,397)</u>	<u>(1,512)</u>
(Loss) profit for the period from continuing operations		(16,708)	(714)	(37,917)	26,174
Discontinued operation					
Loss for the period from discontinued operation	9	<u>–</u>	<u>(150)</u>	<u>(53)</u>	<u>(233)</u>
(Loss) profit for the period		<u>(16,708)</u>	<u>(864)</u>	<u>(37,970)</u>	<u>25,941</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

	Three months ended 31 January		Nine months ended 31 January	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)		(Restated)
(Loss) profit for the period attributable to owners of the Company:				
– from continuing operations	(16,708)	(714)	(37,917)	27,187
– from discontinued operation	–	(150)	(53)	(233)
	<u>(16,708)</u>	<u>(864)</u>	<u>(37,970)</u>	<u>26,954</u>
(Loss) profit for the period attributable to non-controlling interests:				
– from continuing operations	–	–	–	(1,013)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,013)</u>
	<u>(16,708)</u>	<u>(864)</u>	<u>(37,970)</u>	<u>25,941</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 January 2023

	Three months ended 31 January		Nine months ended 31 January	
Notes	2023 (Unaudited) <i>HK\$'000</i>	2022 (Unaudited) <i>HK\$'000</i> (Restated)	2023 (Unaudited) <i>HK\$'000</i>	2022 (Unaudited) <i>HK\$'000</i> (Restated)
(Loss) profit for the period	(16,708)	(864)	(37,970)	25,941
Other comprehensive (expense) income:				
<i>Items that will not be reclassified to profit or loss:</i>				
Fair value loss on equity instruments at fair value through other comprehensive income ("FVTOCI")	(402)	(740)	(1,591)	(924)
Other comprehensive expense for the period, net of taxation	(402)	(740)	(1,591)	(924)
Total comprehensive (expense) income for the period	<u>(17,110)</u>	<u>(1,604)</u>	<u>(39,561)</u>	<u>25,017</u>
Total comprehensive (expense) income for the period attributable to owners of the Company:				
– from continuing operations	(17,110)	(1,454)	(39,508)	26,263
– from discontinued operation	–	(150)	(53)	(233)
	<u>(17,110)</u>	<u>(1,604)</u>	<u>(39,561)</u>	<u>26,030</u>
Total comprehensive (expense) income attributable to non-controlling interests:				
– from continuing operations	–	–	–	(1,013)
	<u>(17,110)</u>	<u>(1,604)</u>	<u>(39,561)</u>	<u>25,017</u>
From continuing and discontinued operations				
(Loss) earnings per share				
– basic	<u>(HK\$0.116 cent)</u>	<u>(HK\$0.006 cent)</u>	<u>(HK\$0.264 cent)</u>	<u>HK\$0.181 cent</u>
– diluted	<u>(HK\$0.116 cent)</u>	<u>(HK\$0.006 cent)</u>	<u>(HK\$0.264 cent)</u>	<u>HK\$0.176 cent</u>
From continuing operations				
(Loss) earnings per share				
– basic	11 <u>(HK\$0.116 cent)</u>	<u>(HK\$0.005 cent)</u>	<u>(HK\$0.264 cent)</u>	<u>HK\$0.182 cent</u>
– diluted	<u>(HK\$0.116 cent)</u>	<u>(HK\$0.005 cent)</u>	<u>(HK\$0.264 cent)</u>	<u>HK\$0.178 cent</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 January 2023

	Attributable to the Owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Contributed surplus	Merger reserve	Share option reserve	FVTOCI reserve	Accumulated losses	Total		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Note a)</i>	<i>HK\$'000</i> <i>(Note b)</i>	<i>HK\$'000</i> <i>(Note c)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
At 1 May 2021 (audited)	143,670	560,230	191,087	2,222	1,379	(37,706)	(339,529)	521,353	(12,465)	508,888
Profit (loss) for the period	-	-	-	-	-	-	26,954	26,954	(1,013)	25,941
Fair value loss on equity instruments at FVTOCI	-	-	-	-	-	(924)	-	(924)	-	(924)
Disposal of equity instruments at FVTOCI	-	-	-	-	-	444	(444)	-	-	-
Total comprehensive income (expense) for the period	-	-	-	-	-	(480)	26,510	26,030	(1,013)	25,017
Lapse of share options	-	-	-	-	(1,379)	-	1,379	-	-	-
At 31 January 2022 (unaudited)	143,670	560,230	191,087	2,222	-	(38,186)	311,640	547,383	(13,478)	533,905
At 1 May 2022 (audited)	143,670	560,230	191,087	2,222	-	(37,838)	(349,733)	509,638	(7,093)	502,545
Loss for the period	-	-	-	-	-	-	(37,970)	(37,970)	-	(37,970)
Fair value loss on equity instruments at FVTOCI	-	-	-	-	-	(1,591)	-	(1,591)	-	(1,591)
Disposal of equity instruments at FVTOCI	-	-	-	-	-	-	-	-	-	-
Total comprehensive (expense) income for the period	-	-	-	-	-	(1,591)	(37,970)	(39,561)	-	(39,561)
At 31 January 2023 (unaudited)	143,670	560,230	191,087	2,222	-	(39,429)	(387,703)	470,077	(7,093)	462,984

Notes:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 head office and the principal place of business of the Company in Hong Kong is located at Rooms 1001-1006, 10th Floor, Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Aberdeen, Hong Kong.

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

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

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis. Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 October 2022 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 April 2022.

Amendments to HKFRSs that are mandatorily effective for the current period.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 May 2022 for the preparation of the Group’s condensed consolidated financial statements:

In the Reporting Period, the Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

The application of amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. Revenue

Disaggregation of revenue from contracts with customers

	Three months ended 31 January		Nine months ended 31 January	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts with customers				
Contract revenue in respect of scaffolding, fitting out and other auxiliary services for construction and building work	20,371	37,293	82,702	111,924
Revenue from other sources:				
Loan interest income	10,184	13,402	32,904	41,045
Total revenue	<u>30,555</u>	<u>50,695</u>	<u>115,606</u>	<u>152,969</u>
Timing of revenue recognition				
Over time	<u>20,371</u>	<u>37,293</u>	<u>82,702</u>	<u>111,924</u>

Revenue from discontinued operation of assets management business amounted to HK\$176,000 (January 2022: HK\$1,691,000) are recognised at a point in time.

4. Other income

	Three months ended 31 January		Nine months ended 31 January	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Rental income	–	–	–	67
Sundry income	58	10	578	81
Government subsidy	–	–	2,014	26
Interest income	19	13	44	58
Reversal of write off of account receivables	–	–	–	356
	<u>77</u>	<u>23</u>	<u>2,636</u>	<u>588</u>

Other income from discontinued operation of assets management business amounted to HK\$304,000 (January 2022: HK\$294,000) are recognised.

5. Other gains and (losses)

	Three months ended 31 January		Nine months ended 31 January	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fair value (loss) gain on financial assets at FVTPL, net	(16,297)	(7,783)	(9,358)	437
(Loss) gain on disposal of financial assets at FVTPL	(998)	(965)	(5,704)	514
Net impairment losses (recognised) reversed arising from ECL on:				
– Loan and interest receivables	–	–	(26,991)	(25,587)
– Trade receivables	–	–	(9)	(2,972)
– Contact assets	–	–	(88)	30
	<u>(17,295)</u>	<u>(8,748)</u>	<u>(42,150)</u>	<u>(27,578)</u>

6. Gain on disposal of subsidiaries

Blue Pool Ventures Limited

On 8 August 2022, Instant Victory Global Limited (“Instant Victory”), a wholly directly owned subsidiary of the Company has entered into a sales and purchase agreement (“S&P Agreement”) with Draco International Investment (Holdings) Limited (“Draco”), Mass Fidelity Consulting Limited (“Mass Fidelity Consulting”) and Suncorp Investment Holdings Limited (“Suncorp”) (collectively referred to as the “Purchaser”), pursuant to which Instant Victory conditionally agreed to sell and assign the benefit of, 1,000 ordinary shares in the issued and fully paid-up share capital of Blue Pool Ventures Limited (“Blue Pool”), a wholly directly owned subsidiary of Instant Victory, (the “Sale Shares”), and Draco, Mass Fidelity Consulting and Suncorp agreed to purchase and take the assignment of, the Sale Shares from Instant Victory, which representing 37.5%, 37.5% and 25.0% of the entire issued share capital of Blue Pool at the consideration of approximately HK\$199,000, HK\$199,000, and HK\$132,000 respectively.

Gain on disposal of subsidiaries amounted to HK\$205,000 was analysed as follows:

	<i>HK\$'000</i>
Consideration received	530,000
	<u>530,000</u>
Property, plant and equipment	
– Furniture and fixtures	184
Prepayment, Deposits and other receivables	1,083
Bank balances and cash	121
Tax recoverable	31
Trade and other payables	(1,005)
Lease liabilities	(89)
	<u>325</u>
Net assets disposed of	325
Gain on disposal of subsidiaries:	
Consideration received	530
Net assets disposed of	(325)
	<u>205</u>
Net cash inflow arising from disposal for the period:	
Consideration received	530
Less: bank balances and cash disposed of	(121)
	<u>409</u>
Net cash inflow	<u>409</u>

6. Gain on disposal of subsidiaries (Continued)

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

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

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

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

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

	Three months ended 31 January		Nine months ended 31 January	
	2023 (Unaudited) <i>HK\$'000</i>	2022 (Unaudited) <i>HK\$'000</i>	2023 (Unaudited) <i>HK\$'000</i>	2022 (Unaudited) <i>HK\$'000</i>
Interest on bank borrowings and bank overdraft	30	93	150	1,066
Interest on other loan and other borrowings	1,752	1,861	5,226	5,200
Interest on lease liabilities	42	20	126	158
	<u>1,824</u>	<u>1,974</u>	<u>5,502</u>	<u>6,424</u>

Finance Costs from discontinued operation of asset management business amounted to Nil (January 2022: HK\$38,000) are recognised.

8. Taxation

	Three months ended 31 January		Nine months ended 31 January	
	2023 (Unaudited) <i>HK\$'000</i>	2022 (Unaudited) <i>HK\$'000</i>	2023 (Unaudited) <i>HK\$'000</i>	2022 (Unaudited) <i>HK\$'000</i>
Taxation comprises:				
Hong Kong Profits Tax				
Current period charged	<u>522</u>	<u>43</u>	<u>1,397</u>	<u>1,512</u>

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

9. Loss (Gain) for the period from discontinued operation

On 8 August 2022, the Company as vendor entered into a sale and purchase agreement (the “S&P Agreement”) with Draco International Investment (Holdings) Limited, Mass Fidelity Consulting Limited and Suncorp Investment Holdings Limited (the “Buyers”) as purchaser, being independent third party of the Group, pursuant to which the Company conditionally agreed to sell, and the Buyer conditionally agreed to buy the entire issued share capital of two wholly-owned subsidiaries of the Company, namely as Blue Pool Ventures Limited (“Blue Pool”) and Mass Fidelity Asset Management Limited together with their respective wholly-owned subsidiaries (the “Disposed Subsidiaries”) which were engaged in the asset management business (the “Disposal”), for a total of consideration of HK\$530,000.

Blue Pool held the entire issued share capital of Mass Fidelity Asset Management Limited that is a corporation.

For the period ended 31 January 2023, the Disposal is completed as stated in the S&P Agreement. Comparative figures in the unaudited condensed consolidated statement of profit or loss and other comprehensive income have been restated to disclose separately the profit or loss from discontinued operation.

The loss for the period from discontinued operation is set out below:

	Three months ended 31 January		Nine months ended 31 January	
	2023	2022	2023	2022
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	–	393	176	1,691
Cost of sales	–	(199)	(58)	(951)
Other income	–	84	304	294
Operating and administrative expenses	–	(418)	(475)	(1,229)
Finance costs	–	(10)	–	(38)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
(Loss) gain for the period from discontinued operation	<u>–</u>	<u>(150)</u>	<u>(53)</u>	<u>(233)</u>

10. Dividend

No dividend were paid, declared or prepared for the nine months ended 31 January 2023. The directors of the Company have determined that no dividend will be paid in respect of the nine months period (January 2022: Nil).

11. (Loss) earnings per share

Basic and diluted (loss) earnings per share

(a) From continuing and discontinued operations

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

	Three months ended 31 January		Nine months ended 31 January	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited) (Restated)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited) (Restated)
(Loss) profit for the period attributable to owners of the Company, for the purpose of basic and diluted loss per share	<u>(16,708)</u>	<u>(864)</u>	<u>(37,970)</u>	<u>25,941</u>
	Number of shares	Number of shares	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<u>14,367,101,072</u>	14,367,101,072	<u>14,367,101,072</u>	14,367,101,072
Effect of dilutive potential ordinary shares in respect of share options	<u>–</u>	<u>128,808,497</u>	<u>–</u>	<u>370,424,913</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u>14,367,101,072</u>	<u>14,495,909,569</u>	<u>14,367,101,072</u>	<u>14,737,525,985</u>

(b) From continuing operations

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

	Three months ended 31 January		Nine months ended 31 January	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
(Loss) profit for the period from continuing operations	<u>(16,708)</u>	<u>(714)</u>	<u>(37,917)</u>	<u>26,174</u>

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

No diluted loss per share from continuing operations is presented in this reporting period since the assumed exercise of the share options would result in a decrease in diluted loss per share.

(c) From discontinued operation

For the period ended 31 January 2023, basic loss per share from discontinued operation was HK\$0.0004 cents per share (2021: HK\$0.002 cents per share), which were calculated based on the loss from discontinued operation for the period ended 31 January 2023 of HK\$53,000 (2021: HK\$233,000) and the denominators detailed above.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the nine months ended 31 January 2023 (herein referred to as the “Reporting Period”), the revenue of the Group amounted to approximately HK\$115.6 million (For the same period of 2022: HK\$153.0 million), representing a decrease of approximately 24.4% as compared to the corresponding period in 2022. Net loss attributable to owners of the Company from continuing operations during the Reporting Period was approximately HK\$37.9 million (For the same period of 2022: net profit attributable to owners of the Company from continuing operations of approximately HK\$27.2 million). The decrease in revenue was mainly due to the decrease in contract revenue generated from scaffolding, fitting out and other auxiliary services for construction and buildings work and decrease in revenue generated from money lending business during the Reporting Period. Also, the increase in net loss attributable to owners of the Company from continuing operations was mainly due to (i) the decrease in the gross profit of the Group amounted to approximately HK\$27.8 million for the Reporting Period as compared to the corresponding period in 2022; (ii) the significant decrease in the gain on disposal of subsidiaries of the Group by approximately HK\$29.1 million for the Reporting Period as compared to the corresponding period in 2022; and (iii) a significant increase in the fair value loss incurred in the Group’s securities investment portfolios by approximately HK\$8.9 million for the Reporting Period as compared to the corresponding period in 2022. During the Reporting Period, our money lending business continued to contribute stable revenue to the Group and served as one of the major income sources of the Group.

Scaffolding, Fitting out and Other Auxiliary Services for Construction and Buildings Work

The scaffolding, fitting out and other auxiliary services for construction and buildings work was the largest business segment during the Reporting Period. This segment includes scaffolding services, fitting out and other auxiliary services for construction and buildings work. During the Reporting Period, revenue from this segment was approximately HK\$82.7 million, representing a significant decrease of approximately HK\$29.2 million as compared to the corresponding period in 2022, due to less new construction projects being approved by the Government of the HKSAR as its operation has been limited by various measures for prevention of the spread of coronavirus disease 2019 (“COVID-19”), and the slowing down in the progress of existing construction projects caused by (i) delay in the delivery process of construction materials imported from mainland China as a result of the outbreak of COVID-19 and enhanced border control for prevention of disease; and (ii) less available workers in the market as a result of travel restrictions.

Scaffolding Services

In recent years, a number of large-scale infrastructure projects have been carried out by the HKSAR to boost the construction industry and well-being of the society. For this purpose, a multi-pronged strategy has been adopted by the government to maintain a steady and sustainable land supply with the aim to meet the continuing housing needs.

On the other hand, in the past few years, the entire scaffolding industry encountered the major difficulty of shortage in supply of skilled workers and experienced personnel. Such shortage resulted in rising labour costs and diminishing profit margins throughout the industry, which further intensified competition within the scaffolding sector. However, it is worth mentioning that the Group’s patented scaffolding system, which is known as “Pik-Lik”, has played a crucial role in saving manpower and enhancing efficiency in the industry.

Leveraging the widespread recognition of the impeccable quality of services and the strong relationships nurtured with clientele, the Group receives positive feedback and prominent business support and takes pride in being one of the leading scaffolding service providers in Hong Kong. During the Reporting Period, the Group provided scaffolding services to 54 ongoing projects, 25 of which were completed on schedule and 4 new contracts were awarded.

Fitting out Services

For the fitting out services, the Group mainly provided fitting out services to commercial institutions and luxury residence end-users during the Reporting Period. The Group has also extended its scope of services to include ceiling work and to date, it has been receiving encouraging feedback from its clients. The competition of fitting out services is keen. The Group will continue to proactively acquire new contracts.

Other Auxiliary Services for Construction and Buildings Work

For other auxiliary services for construction and buildings work, the Group mainly provided gondolas, parapet railings and access equipment installation and maintenance services. The Group has been actively cultivating its gondolas rental business over the past several years and has gained positive ‘worth-of-mouth’ in the market. This has enabled the Group to secure a stable number of new contracts despite the competitive local market.

Money Lending Business

Under the ongoing economic impacts of COVID-19, in order to lower default ratio of the loan borrowing, the Group has reviewed and flexibly adjusted the business strategies, which is to enhance the requirements of the loan granted to the borrowers. For example, the borrowers have to provide the asset proof or income proof to prove they have the ability to repay the loan. As the requirements of the loan granted to the borrowers are higher and the risk for the loan borrowings are lower, the related interest rate will become lower. Thus, the Group recorded a decrease of the revenue in this segment during the Reporting Period.

The business segment recorded a decrease of revenue to the Group and the Group recorded a turnover of approximately HK\$32.9 million during the Reporting Period (For the same period of 2022: approximately HK\$41.0 million). The principal amount of the loans granted ranged from HK\$0.2 million to HK\$25.0 million with interest rates ranging from 7.0% to 36.0% per annum during the Reporting Period.

Securities Investment Business

In order to capture possible returns from the financial market, the Group has formed the investment committee in year 2015/2016 and continued investing in Hong Kong-listed securities during the Reporting Period. Due diligence was conducted on every contemplated investment and each investment was taken into serious consideration to ensure quality risk control and maximise shareholders’ benefits.

The Group recorded a net fair value loss of approximately HK\$9.4 million (For the same period of 2022: net fair value gain of approximately HK\$437,000) and net loss on disposal of approximately HK\$5.7 million (For the same period of 2022: net gain on disposal of approximately HK\$514,000) for its investment portfolio during the Reporting Period, which was mainly due to the volatility of the stock market in Hong Kong. The Group foresees that the global economy will be getting better in year 2023/2024 and the investment committee will continue to monitor the Group’s investment portfolio closely in order to maximum shareholders’ returns.

Assets Management Business

The Group commenced its assets management business ever since Mass Fidelity Asset Management Limited (“Mass Fidelity”), its indirect wholly-owned subsidiary, which was 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\$176,000 (For the same period of 2022: approximately HK\$1.7 million).

During the Reporting Period, the Group reclassified the segment of assets management business as discontinued operation in the consolidated financial statements of the Group. For details, please refer to the section headed “Management Discussion and Analysis – Disposal of subsidiaries”, note 6 and 9 to the consolidated financial statements in this report.

Disposal of subsidiaries

On 8 August 2022, Instant Victory Global Limited (“Instant Victory”), a directly wholly owned subsidiary of the Company has entered into a sales and purchase agreement (“S&P Agreement”) with Draco International Investment (Holdings) Limited (“Draco”), Mass Fidelity Consulting Limited (“Mass Fidelity Consulting”) and Suncorp Investment Holdings Limited (“Suncorp”) (collectively referred to as the “Purchaser”), pursuant to which Instant Victory conditionally agreed to sell and assign the benefit of, 1,000 ordinary shares in the issued and fully paid-up share capital of Blue Pool Ventures Limited (“Blue Pool”), a directly wholly owned subsidiary of Instant Victory, (the “Sale Shares”), and Draco, Mass Fidelity Consulting and Suncorp agreed to purchase and take the assignment of, the Sale Shares from Instant Victory, which representing 37.5%, 37.5% and 25.0% of the entire issued share capital of Blue Pool at the consideration of approximately HK\$199,000, HK\$199,000, and HK\$132,000 respectively.

Through this disposal, 100% indirectly held subsidiary of the Company, Blue Pool, and its 100% indirectly held subsidiary, Mass Fidelity, a licensed insurance broker and registered MPF Corporate Intermediary in Hong Kong (collectively referred to as the “Disposal Group”) were also disposed accordingly, at a cash consideration of HK\$530,000 in total. The Disposal Group carried out the business of assets management in Hong Kong. The disposal was completed on 8 August 2022, on which date control of the Disposal Group was passed to the Purchaser and the Group will cease its business in the segment of assets management. The operating results of the segment of assets management was reclassified as discontinued operation during the Reporting Period which are set out in note 6 and 9 to the consolidated financial statements in this report.

As the director of Blue Pool was Mr. Chan Wai Lung and Mr. Chan Wai Lung was the director and the ultimately beneficial owner of Draco and the director of Mass Fidelity was Mr. Chan Shui Cheong and Mr. Chan Shui Cheong was the director and held 33.3% of the entire issued share capital of Mass Fidelity Consulting. They are therefore the connected persons at the subsidiary level of the Group under the GEM Listing Rules. Hence, the Disposal constitutes a connected transaction with connected persons at the subsidiary level of the Group under Chapter 20 of the GEM Listing Rules. As none of the applicable percentage ratios (as defined under the GEM Listing Rules) calculated under Rule 19.07 of the GEM Listing Rules in respect of the S&P Agreement has exceeded 1%, the disposal of the Disposal Group under the S&P Agreement does not constitute a notifiable transaction under Rule 20.74(b) of the GEM Listing Rules.

IMPACT CAUSED BY THE OUTBREAK OF COVID-19

Our business operations and financial conditions are affected by the outbreak of COVID-19 for the Reporting Period. Below are the relevant analyses for our two largest business segments – scaffolding, fitting out and other auxiliary services for construction and buildings work and money lending:

Scaffolding, Fitting Out and Other Auxiliary Services for Construction and Buildings Work

In 2022/2023, since the operation of the Government of HKSAR has been limited by various measures for prevention of the spread of COVID-19, the number of new construction projects and contracts approved by the relevant government department has decreased. The delivery process of construction materials imported from mainland China was also delayed by the outbreak of COVID-19 and enhanced border control for prevention of disease. In addition, less workers are available in the market due to travel restrictions, which further slowed down the progress of existing construction projects. Competition within the construction industry has become even more intense during the Reporting Period as there are less new projects in the market. In related to the decrease of the number of new projects in the market, the Group have to lower the contract price for those new projects in the market to obtain them under the intensive competition during the Reporting Period. Therefore, the Group recorded a decrease in its revenue from this segment during the Reporting Period as compared to the corresponding period in 2022.

Money Lending

Under the ongoing economic impacts of COVID-19, in order to lower default ratio of the loan borrowing, Gold Medal has reviewed and flexibly adjusted the business strategies, which is to enhance the requirements of the loan granted to the borrowers. For example, the borrowers have to provide the asset proof or income proof to prove they have the ability to repay the loan. As the requirements of the loan granted to the borrowers are higher and the risk for the loan borrowings are lower, the related interest rate will become lower. Hence, our money lending business recorded a decrease in revenue during the Reporting Period. For details of our money lending business, please refer to the section headed “Management Discussion and Analysis – Business Review – Money Lending Business” in this report.

BUSINESS OUTLOOK

As we entered calendar year 2023/2024, the outbreak of COVID-19 together with the challenges posed by the political unrest in Hong Kong in the past months mean a double blow to the Hong Kong economy and further contribute to a downward trend in the Hong Kong property market.

The impacts of COVID-19 have caused pressure worldwide and dampened the development of various industries, with no exception for the scaffolding industry. In the past decade, the scaffolding industry has become increasingly competitive. On the one hand, the costs have become high together with rising labour costs, but productivity has suffered decline. In the face of a phenomenon of ageing workers, young generation unwilling to join the industry due to hard labour work and higher requirement of technological qualifications, which has affected recruitment of talents in the industry, and with heavier government regulations, without favourable factors such as labour imports, the carrying capacity of the industry may be challenged. These reflect a lack of confidence in the prospect of the scaffolding industry.

On the other hand, in response to demand from market development, many contractors have adopted the use of metal scaffolds instead of bamboo scaffolds nowadays. The general higher durability of metal scaffolds and the possibility of calculating load bearing capacity have shortened the time for training of workers. Hence, bamboo scaffolds may be eliminated in Hong Kong in the future. According to recent trend, modern metal scaffolds have been adopted by the industry, especially for high-end shopping malls which are aware of exterior appearance. Therefore, the future direction of the scaffolding business will be led by the adoption of mixed scaffolds and metal scaffolds.

Looking ahead to 2023/2024, in view of present economic uncertainty and difficulties, the Group is reviewing its existing assets structure and business strategies and may make adjustment to our existing assets structure, with the aim to consolidate our resources, so as to be flexibly prepared for uncertainties in the future. Meanwhile, in order to enhance our competitiveness, the Group will look for opportunities to revitalise the scaffolding business to keep up with the recent development and trend in the industry, in particular the declining use of bamboo scaffolds. At the same time, the Group will continue focusing on those business segments that generate higher profit margins and show ample growth potential such as money lending operations. The Group will strictly adhere to its cost control policy, and swiftly adjust business strategies of its scaffolding business in response to ever-changing market dynamics in order to generate better financial returns for shareholders.

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

FINANCIAL REVIEW

During the Reporting Period, revenue decreased by approximately 24.4% as compared with the corresponding periods in the preceding financial year. To maintain a balanced business portfolio, the management of the Group has been actively looking for other business opportunities and possible geographic diversification in recent years. Projects in the scaffolding, fitting out and other auxiliary services for construction and buildings work and money lending business contributed substantial revenue to maintain the financial stability of the Group in anticipation of future growth.

During the Reporting Period, operating and administrative expenses decreased from approximately HK\$30.2 million to approximately HK\$26.0 million which was mainly due to the decrease in staff costs during the Reporting Period as compared to the corresponding period in 2022. Finance costs decreased from approximately HK\$6.4 million to approximately HK\$5.5 million which was mainly due to the repayment of the debts during the Reporting Period. The Group continued to adopt its policy of vigilant cost control for the ensuing periods. Funds generated from financing activities strengthened the working capital of the Group in anticipation of further investment and diversification opportunities in the future.

CAPITAL STRUCTURE

As at 31 January 2023, the Group had shareholders' equity of approximately HK\$470.1 million (30 April 2022: approximately HK\$509.6 million).

EVENT AFTER REPORTING PERIOD

There is no important event affecting the Group which have occurred since 31 January 2023.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

Except the Disposal disclosed under the paragraphs headed “Disposal of subsidiaries” in the section above, the Group did not have material acquisitions or disposals of subsidiaries or associates during the nine months ended 31 January 2023.

UPDATE ON DIRECTORS’ INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change in information of the directors of the Company for the Reporting Period and up to the date hereof are set out below:

1. Mr. Kong Kam Wang has resigned as an executive director and the chief executive officer of the Company with effect from 16 November 2022.
2. Ms. Lai Yuen Mei, Rebecca has resigned as an executive director of the Company with effect from 19 December 2022.

SHARE OPTION SCHEME

The Company has adopted the share option scheme on 22 October 2021 (the “Share Option Scheme”). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

Under the terms of the Share Option Scheme, the Board may, at its absolute discretion, offer full time or part time employees of the Company or any of its subsidiaries (including any directors, whether executive or non-executive and whether independent or not, of the Company or any of its subsidiaries) and any agents, consultants and advisers who have contributed or may contribute to the Group, to take up options to subscribe for shares of the Company, as incentives or rewards for their contribution to the growth of the Group. The maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2021 Option Scheme and any other share option schemes of the Company must not, exceed 30% of the issued share capital of the Company from time to time. The life of the 2021 Option Scheme was effective until 21 October 2031.

The maximum number of shares issued and to be issued on the exercise of options granted under the 2021 Option Scheme or any other share option schemes of the Company and its subsidiaries (including both exercised and outstanding options) to a grantee in any 12-month period must not exceed 1% (or 0.1% in case of a connected person (as defined under the GEM Listing Rules) grantee) of the total issued share capital of the Company in issue, unless separately approved by the shareholders of the Company in general meeting with such grantee and his associates abstaining from voting, and the number and terms (including the subscription price) of the options to be granted to such person must be fixed before the shareholders’ approval. A nonrefundable nominal consideration of HK\$10 is payable on acceptance of each grant.

The subscription price may be determined by the Board, provided that it shall not be less than the highest of (a) the closing price of the Company’s shares on GEM as stated in the Stock Exchange’s daily quotation sheet on the date of grant of the options; (b) the average of the closing prices of the Company’s shares on GEM as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant of the options; and (c) the nominal value of the shares on the date of grant provided that in the event of fractional prices, the subscription price per share shall be rounded upwards to the nearest whole cent.

An option may be exercised in whole or in part in accordance with the terms of the 2021 Option Scheme at any time during a period to be notified by the Board to each grantee which shall not be more than 10 years from the date on which the offer of the grant of the options is made in accordance with the terms of the 2021 Option Scheme. There is no general requirement on the minimum period for which an option must be held or performance target must be achieved before an option can be exercised under the terms of the 2021 Option Scheme.

As at 31 January 2023, there were no options granted, exercised, cancelled, lapsed or outstanding.

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACT

During the Reporting Period, the cooperation agreement dated 1 January 2017 entered into between Mass Fidelity Asset Management Limited ("Mass Fidelity"), a wholly-owned subsidiary of the Company principally engaged in assets management, and GET Consulting Company Limited ("GET Consulting") was in force. Pursuant to such cooperation agreement, Mass Fidelity has engaged GET Consulting to provide management services on the daily operation and accounting and finance matters of Mass Fidelity. Such cooperation agreement did not have a fixed term and no Director was interested in such cooperation agreement.

Save as aforesaid, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the nine months ended 31 January 2023.

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 2023.

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

As at 31 January 2023, the interests of the Directors and the chief executive of the Company in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to the Rule 5.46 of the GEM Listing Rules were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Capacity	Number of ordinary shares held	Number of underlying shares held	Approximate percentage of the issued share capital of the Company as at 31 January 2023
Dr. So Yu Shing	Beneficial owner	3,320,000		0.02%
Mr. So Wang Chun, Edmond	Beneficial owner	800,000		0.01%

Save as disclosed above, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations as at 31 January 2023.

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

As at 31 January 2023, the Directors and the chief executive of the Company were not aware of any person (other than the Directors or chief executive of the Company whose interests were disclosed above) who had an interest in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

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

During the nine months ended 31 January 2023, 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 nine months ended 31 January 2023, 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 substantial shareholders (as defined in the GEM Listing Rules) of the Company or their respective close associates (as defined in the GEM Listing Rules) had any interest in the business that competed or might compete or was likely to compete, either directly or indirectly, with the business of 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 of the Company. By applying rigorous corporate governance practices, the Company believes that its accountability and transparency will be improved thereby instilling confidence to the shareholders of the Company and the public. Throughout the third quarter period, the Company has complied with the code provisions as set out in the then prevailing Appendix 15 to the GEM Listing Rules.

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 third quarterly results for the nine months ended 31 January 2023 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, 17 March 2023

As at the date of this report, the Board comprises Dr. So Yu Shing (Chairman and Executive Director), Mr. So Wang Chun, Edmond (Executive Director), Mr. Tse Fung Chun (Executive Director), Mr. Law Man Sang (Independent Non-executive Director), Ms. Lam Wai Yu (Independent Non-executive Director) and Mr. Lo Ka Ki (Independent Non-executive Director).