



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 2019/2020

* *For identification purpose only*

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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 (“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 2019

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 2019 together with the unaudited comparative figures for the corresponding period in 2018 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Three months ended 31 July	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue	3	38,968	46,824
Cost of sales		(22,658)	(26,328)
		<hr/>	<hr/>
Gross profit		16,310	20,496
Other income	4	319	636
Other gains and (losses)	5	(9,984)	(13,913)
Operating and administrative expenses		(10,213)	(9,825)
Finance costs	6	(2,124)	(1,800)
		<hr/>	<hr/>
Loss before taxation		(5,692)	(4,406)
Taxation	7	(679)	(744)
		<hr/>	<hr/>
Loss for the period		(6,371)	(5,150)
		<hr/> <hr/>	<hr/> <hr/>
Loss for the period attributable to:			
Owners of the Company		(6,284)	(4,200)
Non-controlling interests		(87)	(950)
		<hr/>	<hr/>
		(6,371)	(5,150)
		<hr/> <hr/>	<hr/> <hr/>
		(Unaudited)	(Unaudited)
Loss per share – basic and diluted	9	HK0.044 cent	HK0.029 cent
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended 31 July	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	(6,371)	(5,150)
Other comprehensive expense:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Fair value loss	–	(3,856)
<i>Items that will not be reclassified to profit or loss:</i>		
Changes on fair value of equity instruments at fair value through other comprehensive income (“FVTOCI”)	(1,011)	–
Other comprehensive expense for the period, net of taxation	(1,011)	(3,856)
Total comprehensive expense for the period	(7,382)	(9,006)
Total comprehensive expense for the period attributable to:		
Owners of the Company	(7,295)	(8,056)
Non-controlling interests	(87)	(950)
	(7,382)	(9,006)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 July 2019

	Attributable to the owners of the Company									
	Share capital	Share premium	Contributed surplus	Merger reserve	Share option reserve	FVTOCI/ Investment revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000 (Note c)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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)
Fair value loss on available-for-sale investments	-	-	-	-	-	(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
At 1 May 2019 (Audited)	143,670	560,230	191,087	2,222	7,280	(36,043)	(222,407)	646,039	(11,409)	634,630
Loss for the period	-	-	-	-	-	-	(6,284)	(6,284)	(87)	(6,371)
Fair value loss on equity instruments at FVTOCI	-	-	-	-	-	(1,011)	-	(1,011)	-	(1,011)
Total comprehensive expense for the period	-	-	-	-	-	(1,011)	(6,284)	(7,295)	(87)	(7,382)
At 31 July 2019 (Unaudited)	143,670	560,230	191,087	2,222	7,280	(37,054)	(228,691)	638,744	(11,496)	627,248

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:

1. General 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 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

Basis of Preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements under the GEM Listing Rules. The unaudited quarterly financial statements should be read in conjunction with the annual report for the year ended 30 April 2019.

The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 30 April 2019. The adoption of the new and revised 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 except for the application of HKFRS 16 “Leases” which is effective for the Group’s annual periods beginning on or after 1 May 2019. The Group transitioned to HKFRS 16 in accordance with the modified retrospective approach and comparative figures were not restated. On adoption of HKFRS 16, the Group will recognise lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate. The associated right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised. The Group also decided not to apply HKFRS 16 to leases whose term will end within twelve months of the date of initial application. In such cases, the leases are accounted for as short-term leases and the lease payments associated with the leases are recognised as an expense from short-term lease.

3. Revenue

	Three months ended 31 July	
	2019	2018
	HK\$'000	HK\$'000
Revenue from contracts with customers:		
Contract revenue in respect of construction and buildings work for the provision of		
– scaffolding services	25,933	31,079
– fitting out services	1,667	3,771
– management contracting services	–	–
Gondolas, parapet railings and access equipment installation and maintenance services	150	1,134
Securities brokerage and margin financing	168	131
Assets management	510	572
	<hr/>	<hr/>
	28,428	36,687
Revenue from other sources:		
Loan interest income	10,540	10,137
	<hr/>	<hr/>
Total revenue	<u>38,968</u>	<u>46,824</u>

	Three months ended 31 July	
	2019	2018
	HK\$'000	HK\$'000
Timing of revenue recognition:		
At point of time	168	131
Over time	28,260	36,556
	<hr/>	<hr/>
	<u>28,428</u>	<u>36,687</u>

4. Other Income

	Three months ended 31 July	
	2019	2018
	HK\$'000	HK\$'000
Rental income	144	177
Sundry Income	145	146
Interest income	30	111
Foreign exchange loss, net	–	(7)
Reversal of allowance for bad and doubtful debts	–	209
	<hr/>	<hr/>
	<u>319</u>	<u>636</u>

5. Other Gains and (losses)

	Three months ended 31 July	
	2019	2018
	HK\$'000	HK\$'000
Fair value loss on financial assets at FVTPL, net	(10,788)	(15,845)
Gain on disposal of financial assets at FVTPL	604	1,932
Impairment losses reversed arising from ECL on an contract assets	200	–
	<u>(9,984)</u>	<u>(13,913)</u>

6. Finance costs

	Three months ended 31 July	
	2019	2018
	HK\$'000	HK\$'000
Interest on bank borrowings and bank overdrafts	633	549
Interest on other loan and other borrowings	1,469	1,224
Interest on obligations under finance leases	22	27
	<u>2,124</u>	<u>1,800</u>

7. Taxation

	Three months ended 31 July	
	2019	2018
	HK\$'000	HK\$'000
Hong Kong Profits Tax		
– current period	<u>679</u>	<u>744</u>

Provision for Hong Kong Profits Tax has been made at the rate of 16.5% on the estimated assessable profit arising in Hong Kong during the period (three months ended 31 July 2018: 16.5%).

8. Dividend

The Board does not recommend the payment of any dividend for the three months ended 31 July 2019 (three months ended 31 July 2018: Nil).

9. Loss per share

The calculation of the basic loss per share is based on the unaudited loss for the period attributable to the owners of the Company for the three months ended 31 July 2019 totalling approximately HK\$6,284,000 (three months ended 31 July 2018: totalling approximately HK\$4,200,000). The weighted average numbers of ordinary shares for the purpose of basic and diluted loss per share is as follows:

	Three months ended 31 July	
	2019	2018
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating loss per share basic and diluted	14,367,101,072	14,367,101,072
	<i>HK Cent</i>	<i>HK Cent</i>
Loss per share		
– basic and diluted	0.044	0.029

The computation of diluted loss per share for the period ended 31 July 2019 and 2018 does not assume the exercise of the Company's share option as the exercise would result in a decrease in loss per share for the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the three months ended 31 July 2019, (herein referred to as the “Reporting Period”), the Group continued to face challenges in its overall group business operations as a result of the threat of trade war between China and United States, and the protest crisis in Hong Kong. The Group’s total revenue recorded a decrease to approximately HK\$39.0 million (three months ended 31 July 2018: HK\$46.8 million) during the Reporting Period. Net loss attributable to the owners of the Company for the Reporting Period was approximately HK\$6.3 million, representing an increase of approximately 49.6% compared with the same correspondence period.

As a result of recent protest crisis in Hong Kong, the residential housing construction and, the local construction market was slowed down during the Reporting Period. However, as one of Hong Kong’s leading scaffolding service providers, the Group successfully secured 3 new projects. In addition, more than 23 projects were currently in progress for the three months ended 31 July 2019. The Group’s proprietary “Pik-Lik” scaffolding system renowned for its efficiency and labour cost-savings, has been widely used throughout the industry.

Due to the keen competition of fitting out services, the Group’s revenue from fitting out services had decreased to approximately HK\$1.7 million, representing a decrease of approximately 55.8% compared with same reporting period.

The Group’s temporary gondola fleet business continued to generate rental income with but it recorded a decrease of revenue to approximately HK\$0.2 million 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\$10.5 million during the Reporting Period, representing approximately 4.0% 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.

The Group’s securities investment business had recorded a decrease in loss by approximately HK\$3.7 million 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\$0.2 million 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\$0.5 million.

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 focus on those business segments that generate higher profit margins and show ample growth potential such as money lending 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 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 2019, the Group's revenue amounted to approximately HK\$39.0 million represents a decrease of approximately 16.8% as compared with the corresponding periods in the preceding financial year. Such decrease was mainly due to comparatively less contract revenue generated from scaffolding business during the Reporting Period.

During the period under review, gross profit of the Group decreased from approximately HK\$20.5 million to approximately HK\$16.3 million as compared with the three months ended 31 July 2018. This resulted mainly from the decrease in turnover from the scaffolding business.

During the Reporting Period, the operating and administrative expenses remained stable and slightly increased from approximately HK\$9.8 million to approximately HK\$10.2 million. Finance costs increased from approximately HK\$1.8 million to approximately HK\$2.1 million. 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 2019, the Group had shareholders' equity of approximately HK\$638.7 million (30 April 2018: approximately HK\$646.0 million).

SIGNIFICANT INVESTMENTS

As at 31 July 2019, the equity instruments at fair value through other comprehensive income (“FVTOCI”) of the Group amounted to approximately HK\$10.6 million and financial assets at fair value through profit or loss (“FVTPL”) of the Group amounted to approximately HK\$40.9 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 audited net assets as at 31 July 2019; (ii) investments with a carrying amount that account for more than 5% of the Group’s total securities investment as at 31 July 2019; or (iii) investments which recorded realised or unrealised gain/(loss) or impairments or increase/(decrease) in FVTOCI reserve of over HK\$5 million during the reporting period as significant investments.

Description of investments	Notes	Carrying	Acquisition	Disposal	Increase/	Fair value	Carrying	Percentage to	Percentage to	Percentage to
		amount as at 1 May 2019 HK\$'000	during the period the period HK\$'000	during the period the period HK\$'000	(decrease) in FVTOCI investment revaluation reserve HK\$'000	gain/(loss) and gain/(loss) on disposal recognised in profit or loss HK\$'000		amount as at 31 July 2019 HK\$'000	the Group's audited net assets as at 31 July 2019	the Group's audited total assets as at 31 July 2019
Equity instruments at FVTOCI										
Capital VC Limited (“Capital VC”) (stock code: 2324)	(a)	3,921	-	-	(933)	-	2,988	0.48%	0.37%	5.80%
Equity securities listed in Hong Kong	(b)	728	-	-	(52)	-	676	0.11%	0.08%	1.31%
Unlisted investment funds, at fair value	(c)	6,597	-	-	(26)	-	6,571	1.05%	0.80%	12.77%
Unlisted investment, at cost		332	-	-	-	-	332	0.05%	0.04%	0.65%
		<u>11,578</u>	<u>-</u>	<u>-</u>	<u>(1,011)</u>	<u>-</u>	<u>10,567</u>	<u>1.69%</u>	<u>1.29%</u>	<u>20.53%</u>
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)	14,855	-	-	-	-	14,855	2.37%	1.82%	28.86%
China New Economy Fund Limited (“CNEFL”) (stock code: 80)	(e)	5,043	-	-	-	(610)	4,433	0.71%	0.54%	8.61%
China Investments and Finance Group Limited (“CIFL”) (stock code: 1226)	(f)	7,176	-	-	-	(2,576)	4,600	0.73%	0.56%	8.94%
Brainhole Technology Limited (“BTL”) (stock code: 2203)	(g)	-	9,996	-	-	(5,257)	4,739	0.76%	0.58%	9.20%
Equity securities listed in Hong Kong	(h)	13,688	1,932	(1,594)	-	(1,741)	12,285	1.96%	1.50%	23.86%
		<u>40,762</u>	<u>11,928</u>	<u>(1,594)</u>	<u>-</u>	<u>(10,184)</u>	<u>40,912</u>	<u>6.53%</u>	<u>5.00%</u>	<u>79.47%</u>
		<u>52,340</u>	<u>11,928</u>	<u>(1,594)</u>	<u>(1,011)</u>	<u>(10,184)</u>	<u>51,479</u>	<u>8.22%</u>	<u>6.29%</u>	<u>100.00%</u>

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 2019, 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 2019, Capital VC expects that the investment environment in the US and other advanced economies will be challenging in short to medium terms. In Asia, the China economy affected by the trade war is normally expected. As such, the directors of Capital VC will continue to adopt cautious measures to manage the Capital VC Group’s investment portfolio.

- (b) As at 31 July 2019, equity securities listed in Hong Kong under the category of equity instruments at FVTOCI 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 audited net assets as at 31 July 2019 and (ii) less than 5% of the Group’s total securities investment as at 31 July 2019, and each of such investment did not record a realised or unrealised gain/(loss) or impairments or increase/(decrease) in FVTOCI reserve of over HK\$5 million during the Reporting Period.
- (c) There were two unlisted investment fund in this category, one of which was held for an identified long term strategic purpose and the Group does not intend to dispose it in the foreseeable future. The fair value of this fund has been determined by reference to the quotation provided by the fund manager of this fund as at 31 July 2019.
- (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 of the principal amount 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 2019, the fair value of the CB subscribed by the Group was approximately HK\$14.9 million.

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 2018, China e-Wallet Group had met considerable challenges that were faced by major corporations in the global economy. However, China e-Wallet Group had adapted and continued to improve on its core businesses and delivery, placing innovation in its products and business operations at its fundamental.

- (e) CNEFL was principally engaged in investing globally in both private and publicly listed enterprises that have demonstrated the ability to manufacture a product or deliver a service that is supported by the economies of the mainland China, Hong Kong, Macau and Taiwan.

As at 31 July 2019, the Group held 55,420,000 shares of CNEFL, which represented approximately 3.99% of total issued share capital of CNEFL at the same date.

As disclosed in the interim announcement of CNEFL for the six months ended 30 June 2019, CNEFL expects that the US Federal Reserve will be more cautious about cutting interest rate and there will be possibly one more cut by the end of 2019. CNEFL also believes that the change in global monetary policies will escalate the volatility in global equity market. CNEFL will continue to deploy an investment strategy focusing on Greater China and other global major markets. With their professional investment and risk management team, the management of CNEFL is confident to capture valuable investment opportunities to maximise profit for their shareholders.

- (f) CIFL and its subsidiaries (collectively referred to as the “CIFL Group”) were principally engaged in securities trading and investment holding.

As at 31 July 2019, 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 2019, 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.

- (g) BTL and its subsidiaries (collectively referred to as the “BTL Group”) were principally engaged in the assembly, packaging and sales of self-manufactured discrete semiconductors with a primary focus on applications for smart consumer electronic devices, and trading of semiconductors sourced from third-party suppliers.

As at 31 July 2019, the Group held 14,810,000 shares of BTL, which represented approximately 1.85% of total issued share capital of BTL at the same date.

As disclosed in the interim announcement of BTL for the six months ended 30 June 2019, the BTL Group expects the principal uncertainties in the market would continue to evolve around the Sino-American trade negotiations, the “Brexit” negotiations and other global geopolitical factors which are expected to affect consumers’ behavior. These factors will indirectly impact the BTL Group’s sales performance. Also the semiconductor industry is characterised by rapid technological changes and evolving industry standards and an effective quality assurance system is critical to the success of the BTL Group. To manage risks arising from these uncertainties, the BTL Group intends to explore other possible business opportunities in mainland China and to expand technological applications to the smart living sector with a view to diversifying the BTL Group’s risk portfolio and expanding its business to enhance its shareholders’ equity.

- (h) Equity securities listed in Hong Kong under the category of financial assets at FVTPL represented the Group’s investments in over ten 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 audited net assets as at 31 July 2019 and less than 5% of the Group’s total securities investment as at 31 July 2019, and (ii) 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 2019 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, the protest crisis in Hong Kong, 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 during the reporting period.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

The Group did not have material acquisitions or disposals of subsidiaries or associates during the three months ended 31 July 2019.

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.

Date of grant	Exercisable period	Exercise price per shares HK\$	Outstanding at 1 May 2019	Number of share options				Outstanding as at 31 July 2019
				Granted during the period	Lapsed during the period	Cancelled during the period	Exercised during the period	
Consultants	15 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 2019.

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 2019.

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

As at 31 July 2019, 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 2019
Dr. So Yu Shing	Beneficial owner	3,320,000	0.05%
	Interest of spouse (<i>note</i>)	3,320,000	
		<hr/>	
		6,640,000	
Ms. Lai Yuen Mei, Rebecca	Beneficial owner	3,320,000	0.05%
	Interest of spouse (<i>note</i>)	3,320,000	
		<hr/>	
		6,640,000	
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 2019.

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

As at 31 July 2019, 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 2019
Avant Capital Management (Hong Kong) Limited	Investment manager	1,793,140,000 (<i>note a</i>)	12.48%
Avant Capital Eagle Fund	Investment manager	1,415,140,000 (<i>note a</i>)	9.85%
Leung Wai Ho	Beneficial owner	1,600,000,000 (<i>note b</i>)	11.14%
Chong Man San, Denise	Beneficial owner	1,600,000,000 (<i>note b</i>)	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 2019, 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 2019, 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 2019, 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 2019 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 2019

As at the date of this report, the Board comprises Dr. So Yu Shing (Chairman and Executive Director), Mr. Kong Kam Wang (Executive Director and Chief Executive Officer), Ms. Lai Yuen Mei, Rebecca (Executive Director), Mr. So Wang Chun, Edmond (Executive Director), Mr. Yuen Chun Fai (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).