



**WLS Holdings Limited**

**滙隆控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**Third Quarterly Report 2003/2004**

\* *For identification purposes only*

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

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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

**The principal means of information dissemination on GEM is publication on the Internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

*The Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*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”) 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 NINE MONTHS ENDED 31 JANUARY 2004

The Board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the three months and the nine months ended 31 January 2004 together with the comparative unaudited figures for the corresponding periods in 2003 as follows:

	<i>Notes</i>	Three months ended 31 January		Nine months ended 31 January	
		2004 (Unaudited) <i>HK\$'000</i>	2003 (Unaudited) <i>HK\$'000</i>	2004 (Unaudited) <i>HK\$'000</i>	2003 (Unaudited) <i>HK\$'000</i>
Turnover	2	<b>30,635</b>	33,691	<b>98,717</b>	107,416
Cost of sales		<b>(26,748)</b>	(26,445)	<b>(81,298)</b>	(85,495)
Gross profit		<b>3,887</b>	7,246	<b>17,419</b>	21,921
Other revenue		<b>83</b>	113	<b>378</b>	587
Administrative expenses		<b>(7,451)</b>	(8,911)	<b>(19,345)</b>	(18,051)
(Loss)/profit from operations		<b>(3,481)</b>	(1,552)	<b>(1,548)</b>	4,457
Finance costs		<b>(450)</b>	(298)	<b>(1,251)</b>	(862)
(Loss)/profit before taxation		<b>(3,931)</b>	(1,850)	<b>(2,799)</b>	3,595
Taxation	3	<b>576</b>	1,987	<b>343</b>	1,037
(Loss)/profit before minority interests		<b>(3,355)</b>	137	<b>(2,456)</b>	4,632
Minority interests		<b>122</b>	98	<b>166</b>	211
(Loss)/profit attributable to shareholders		<b>(3,233)</b>	235	<b>(2,290)</b>	4,843
Dividend per share	4	<b>–</b>	–	<b>–</b>	0.50 cent
(Loss)/earnings per share –basic	5	<b>(0.71) cent</b>	0.05 cent	<b>(0.50) cent</b>	1.06 cents

## NOTES

### 1. Basis of preparation

The unaudited consolidated results of the Group are prepared in accordance with all applicable Statements of Standard Accounting Practice (“SSAP”) issued by the Hong Kong Society of Accountants and the GEM Listing Rules as well as the accounting principles generally accepted in Hong Kong. The principal accounting policies adopted in preparing the unaudited consolidated results are consistent with those followed in the Annual Report 2003 of the Company. For the current period, the Group has newly adopted SSAP 12 (Revised) “Income Taxes” and the new adoption had not had any material effect for the current or prior periods.

### 2. Turnover

Turnover represents revenue from contracts for the provision of scaffolding, management contracting service, suspended ceiling installation in respect of the construction and building works, gondolas services income and consultancy services income.

	Three months ended 31 January		Nine months ended 31 January	
	2004 (Unaudited) <i>HK\$'000</i>	2003 (Unaudited) <i>HK\$'000</i>	2004 (Unaudited) <i>HK\$'000</i>	2003 (Unaudited) <i>HK\$'000</i>
<b>Turnover</b>				
Contract revenue in respect of construction and building works for the provision of				
– scaffolding service	<b>20,644</b>	32,660	<b>86,181</b>	104,599
– management contracting service	<b>6,757</b>	–	<b>6,757</b>	–
– suspended ceiling installation	<b>265</b>	–	<b>1,817</b>	–
Gondolas services incomes	<b>2,969</b>	1,031	<b>3,962</b>	2,785
Consultancy services incomes	–	–	–	32
	<b><u>30,635</u></b>	<b><u>33,691</u></b>	<b><u>98,717</u></b>	<b><u>107,416</u></b>

### 3. Taxation

The taxation charge (credit) comprises:

	Three months ended 31 January		Nine months ended 31 January	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Hong Kong Profits Tax				
– provision in current period	–	–	–	550
– overprovision in previous quarters	(349)	(290)	–	–
– overprovision in respect of prior years	–	(2,067)	–	(2,067)
Deferred tax	(227)	370	(343)	480
	<u>(576)</u>	<u>(1,987)</u>	<u>(343)</u>	<u>(1,037)</u>

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit during the nine months ended 31 January 2004. Hong Kong Profits Tax was calculated at 16% of the estimated assessable profit for the nine months ended 31 January 2003.

### 4. Dividend per share

The Board does not recommend the payment of an interim dividend for the nine months ended 31 January 2004 (nine months ended 31 January 2003: HK0.50 cent per share).

### 5. (Loss)/earnings per share

The calculation of the basic loss per share is based on the unaudited loss attributable to shareholders for the three months and nine months ended 31 January 2004 of approximately HK\$3,233,000 and HK\$2,290,000 respectively (unaudited profit attributable to shareholders for the three months and nine months ended 31 January 2003: approximately HK\$235,000 and HK\$4,843,000 respectively) and the weighted average number of 457,500,000 ordinary shares for the respective periods (three months and nine months ended 31 January 2003: 457,500,000 ordinary shares and 455,788,043 ordinary shares respectively).

No diluted loss per share for the three months and nine months ended 31 January 2004 has been presented because the exercising price of the Company's outstanding share options was higher than the average market prices of the shares during the periods. No diluted earnings per share was presented in prior periods as the Company had no dilutive potential shares during the prior periods.

## 6. Movement of reserves

For the nine months ended 31 January 2004

(Unaudited)	Investment property revaluation reserve HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Retained profits HK\$'000	Proposed interim dividend HK\$'000	Total HK\$'000
At 1 May 2003	573	17,463	2,222	22,109	–	42,367
Loss for the period	–	–	–	(2,290)	–	(2,290)
At 31 January 2004	<u>573</u>	<u>17,463</u>	<u>2,222</u>	<u>19,819</u>	<u>–</u>	<u>40,077</u>
(Unaudited)						
At 1 May 2002	773	14,913	2,222	20,242	–	38,150
Shares issued at premium	–	2,550	–	–	–	2,550
Profit for the period 2003 interim	–	–	–	4,843	–	4,843
dividend proposed	–	–	–	(2,288)	2,288	–
2003 interim dividend paid	–	–	–	–	(2,288)	(2,288)
At 31 January 2003	<u>773</u>	<u>17,463</u>	<u>2,222</u>	<u>22,797</u>	<u>–</u>	<u>43,255</u>

## 7. Connected transaction

Wui Loong System Scaffolds Company Limited, a wholly owned subsidiary of the Company, entered into a rental agreement with Wui Loong International Enterprises Limited, a company jointly owned and controlled by Mr. So Yu Shing and Ms. Lai Yuen Mei, Rebecca, executive directors of the Company, for the rental of aluminium formwork applied in the construction projects with an annual rental of HK\$132,600 during the current period. This transaction, constituting a connected transaction, is exempted from reporting, announcement and independent shareholders' approval requirements under Rule 20.25(3) of the GEM Listing Rules as the total annual consideration of the transaction is less than HK\$1,000,000.

The directors (including the independent non-executive directors) are of the view that the rental agreement has been entered into and carried out in the ordinary course of business of the Company and has been entered into on normal commercial terms and the transaction is fair and reasonable to the Company and its shareholders taken as a whole.

## **BUSINESS REVIEW AND OUTLOOK**

For the nine months ended 31 January 2004, the turnover of the Group amounted to approximately HK\$98,717,000, representing a decrease of about 8% as compared with that of the corresponding period in 2003. Loss attributable to shareholders for the nine months ended 31 January 2004 was approximately HK\$2,290,000 as compared against a profit attributable to shareholders of HK\$4,843,000 in respect of the corresponding period in 2003.

During the period under review, the Group experienced difficult market conditions and intense competition in its scaffolding division. Faced with the unforeseen impact of the outbreak of SARS (Severe Acute Respiratory Syndrome) in the second and third quarters of 2003 with the ensuing widespread negative market sentiments in retail and investment sectors together with the prevailing economic climate of sustained deflation and record high rate of unemployment, the local construction industry underwent a lean and difficult period and the number of scaffolding works contracts secured by the Group decreased and the value of contracts also diminished. The management is committed to implementing the cost-reduction program designed to minimise costs within the Group to ensure optimal utilisation of all assets and resources. By means of stringent cost control measures taken, the competitiveness of the Group in the scaffolding as well as other business divisions can be maintained and improved.

On the positive side, the participation of the Group in the Hong Kong Disneyland Project ensured steady revenue contribution to the Group's financial performance and the enhancement of the Group's image and goodwill.

During the period under review, the Group achieved substantial increase in turnover in respect of the gondola division. In addition, the marketing efforts and the diversification strategy of management brought about vast improvement in the suspended ceiling division. This increase in market share in suspended ceiling products and contracting works, coupled with the positive business performance from the gondola division and the steady contribution from projects in the Hong Kong Disneyland, resulted in a significant contribution to turnover and profit and complemented the revenues from the scaffolding division.

In regard to the international business division, efforts in brand name building of the WLS range of products continued in both the People's Republic of China (the "PRC") and Macau. The current scaffolding projects in Macau progressed according to schedule and helped to enhance the reputation of the Group in Macau.

The efforts of the research and development division bore fruit and the first batch of H-frame metal scaffolds was successfully commissioned and launched in the market with immensely positive feedback. Moreover, market research supported the view of management that the ingenious cost-saving one-lock coupling device has great market potential in both Hong Kong and the PRC.

As the economy of Hong Kong steps out of recession with the recent welcome news of rebound in housing prices, augmentation of the Closer Economic Partnership Arrangement (“CEPA”), decline in the rate of unemployment, the booming retail market and record number of tourists from the PRC, the construction industry is also predicted to have passed the darkest period. Taking into account the lagging effect, the Group expects an improvement in its business performance in the forthcoming quarters.

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

As at 31 January 2004, the interests and short positions 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”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required pursuant to Rule 5.40 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

##### **Long positions in shares**

<b>Name of director</b>	<b>Number of ordinary shares held</b>	
	<b>Personal interest</b>	<b>Family interest</b>
Mr. So Yu Shing	242,215,000	74,225,000
Ms. Lai Yuen Mei, Rebecca	74,225,000	242,215,000
Mr. Woo Siu Lun	19,260,000	–
Mr. Kong Kam Wang	–	700,000

## Long positions in underlying shares

Details of movements in respect of the Company's share options granted to certain directors were as follows:

Name of director	Date granted	Exercisable period (Both dates inclusive)	Exercising price HK\$	Outstanding at 1/5/2003	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31/1/2004
Mr. So Yu Shing	21/5/2002	28/5/2003 to 27/5/2009	0.381	4,500,000	-	-	-	4,500,000
Ms. Lai Yuen Mei, Rebecca	21/5/2002	28/5/2003 to 27/5/2009	0.381	4,500,000	-	-	-	4,500,000
Mr. Woo Siu Lun	21/5/2002	28/5/2003 to 27/5/2009	0.381	4,500,000	-	-	-	4,500,000
Mr. Kong Kam Wang	21/5/2002	28/5/2003 to 27/5/2009	0.381	4,500,000	-	-	-	4,500,000
Dr. Chan Siu Lai (Note)	21/5/2002	28/5/2003 to 27/5/2009	0.381	100,000	-	-	(100,000)	-
				<u>18,100,000</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>18,000,000</u>

*Note:* the director resigned during the period.

No options were granted during the period.

Save as disclosed above, as at 31 January 2004, none of the Directors or their associates as well as the chief executive of the Company, had any interests or short positions in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required pursuant to Rule 5.40 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at 31 January 2004, the persons who have interests and short positions in shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or have otherwise notified to the Company were as follows:

### **Long positions in shares**

<b>Name of substantial shareholders</b>	<b>Number of ordinary shares held</b>
Mr. So Yu Shing	242,215,000
Ms. Lai Yuen Mei, Rebecca	74,225,000

Save as disclosed above, as at 31 January 2004, the Company has not been notified of any other person (other than a Director or the chief executive of the Company) having an interest or short position in shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

## **DIRECTORS' RIGHT TO SUBSCRIBE FOR EQUITY OR DEBT SECURITIES**

None of the Directors or their spouse or children under the age of 18 was granted by the Company or any of its subsidiaries any right to subscribe for equity or debt securities of the Company or any body corporate, or had exercised any such right during the nine months ended 31 January 2004.

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

None of the members of the Group had purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31 January 2004.

## **SPONSOR'S INTERESTS**

Pursuant to a sponsor agreement dated 29 November 2001 between the Company and CSC Asia Limited ("CSC Asia"), CSC Asia will be retained as the sponsor of the Company for the purpose of Chapter 6 of the GEM Listing Rules for the period from 7 December 2001 (being the listing date) to 30 April 2004.

None of CSC Asia, its directors, employees or associates had any shareholding interest in the securities of the Company or any member of the Group nor have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for the securities of the Company or any member of the Group as at 31 January 2004.

## **CORPORATE GOVERNANCE**

The Company has complied throughout the period under review with the corporate governance matters as set out in rules 5.28 to 5.39 of Chapter 5 of the GEM Listing Rules.

## **COMPETING INTERESTS**

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

## **AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee has 2 members, namely Dr. Sritawat Kitipornchai and Mr Yeung Po Chin, both being independent non-executive directors. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to review the Company's annual reports and accounts, and half yearly and quarterly reports.

By order of the Board  
**So Yu Shing**  
*Chairman*

Hong Kong, 12 March 2004