



**WLS Holdings Limited**

**滙隆控股有限公司\***

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

**Third Quarterly Report 2005/2006**

\* *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.**

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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”) 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.*

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 2006 together with the comparative unaudited figures for the corresponding periods in 2005 as follows:

		Three months ended 31 January		Nine months ended 31 January	
		2006	2005	2006	2005
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	35,993	47,220	107,263	134,890
Cost of sales		(28,457)	(38,403)	(85,840)	(113,387)
Gross profit		7,536	8,817	21,423	21,503
Other operating income		90	44	180	192
Administrative expenses		(6,672)	(5,426)	(17,402)	(16,571)
Profit from operations		954	3,435	4,201	5,124
Finance costs		(654)	(532)	(1,685)	(1,626)
Share of results of associates		(5)	(33)	(15)	50
Share of results of jointly controlled entities		182	–	501	–
Profit before taxation		477	2,870	3,002	3,548
Taxation	3	(57)	(426)	(300)	(496)
Net profit for the period		420	2,444	2,702	3,052
Net profit attributable to:					
–Equity holders of the Group		382	2,184	2,731	3,160
–Minority interests		38	260	(29)	(108)
		420	2,444	2,702	3,052
Dividend per share	4	–	–	–	–
Earnings per share					
– basic	5	0.08 cent	0.48 cent	0.60 cent	0.69 cent

## NOTES

### 1. Basis of preparation and accounting policies

The unaudited condensed consolidated results have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and with the applicable disclosure requirements of Chapter 18 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The principal accounting policies used in the unaudited condensed consolidated results are consistent with those followed in the preparation of the Group’s financial statements for the year ended 30 April 2005, except that the Group has changed certain of its accounting policies following its adoption of the applicable new Hong Kong Financial Reporting Standards (“HKFRS”), HKAS and Interpretations (collectively “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005.

The changes to the Group’s accounting policies and the effect of adopting these new HKFRSs have been set out in the notes to the unaudited consolidated results for the six months ended 31 October 2005.

The comparative figures for 2005 presented have incorporated the effect of adjustments, where applicable, resulting from the adoption of the new HKFRSs.

## 2. Turnover

Turnover represents revenue from contracts for the provision of the following services:

	Three months ended 31 January		Nine months ended 31 January	
	2006 (Unaudited) <i>HK\$'000</i>	2005 (Unaudited) <i>HK\$'000</i>	2006 (Unaudited) <i>HK\$'000</i>	2005 (Unaudited) <i>HK\$'000</i>
Contract revenue in respect of construction and building works for the provision of				
– scaffolding	28,222	19,524	82,056	55,801
– fitting out service	2,893	3,979	13,952	14,933
– management contracting service	106	19,324	3,820	58,700
– access equipment, parapet railing installation and maintenance services	4,772	4,393	7,435	5,456
	<u>35,993</u>	<u>47,220</u>	<u>107,263</u>	<u>134,890</u>

## 3. Taxation

The taxation charge comprises:

	Three months ended 31 January		Nine months ended 31 January	
	2006 (Unaudited) <i>HK\$'000</i>	2005 (Unaudited) <i>HK\$'000</i>	2006 (Unaudited) <i>HK\$'000</i>	2005 (Unaudited) <i>HK\$'000</i>
Hong Kong Profits Tax				
– current	57	426	300	496
– deferred	–	–	–	–
	<u>57</u>	<u>426</u>	<u>300</u>	<u>496</u>

Hong Kong Profits Tax was provided at the rate of 17.5% for the 9 months ended 31 January 2006 and 31 January 2005 on the estimated assessable profit arising in or derived from Hong Kong.

In other jurisdiction, no provision for taxation has been made because there is no assessable profit arising in other jurisdiction for the nine months ended 31 January 2006 and 31 January 2005.

#### **4. Dividend**

On 8 September 2005 a dividend of HK0.5 cent per share, totalling HK\$2,288,000 was paid to shareholders as the final dividend for the year ended 30 April 2005.

The Board does not recommend the payment of an interim dividend for the nine months ended 31 January 2006 (nine months ended 31 January 2005: Nil).

#### **5. Earnings per share**

The calculation of the basic earnings per share is based on the unaudited net profit attributable to equity holders of the Group for the three months and nine months ended 31 January 2006 amounting to HK\$382,000 and HK\$2,731,000 respectively (unaudited net profit attributable to equity holders of the Group for the three months and nine months ended 31 January 2005 amounting to HK\$2,184,000 and HK\$3,160,000 respectively) and the weighted average number of 457,500,000 ordinary shares for the respective period (three months and nine months ended 31 January 2005: 457,500,000 shares).

No diluted earnings per share for the nine months ended 31 January 2006 had been presented because the exercise price of the Company's outstanding share options was higher than the average market prices of the share during the period. No diluted earnings per share has been 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 2006

	Attributable to equity holders of the Group							
	Share premium	Merger reserve	Investment property revaluation reserve	Share options reserve	Retained Profits	Total	Minority interests	Total
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
At 1 May 2004 as previously reported (audited)	17,463	2,222	1,073	–	13,158	33,916	(565)	33,351
Effects of changes in accounting policies								
– Share-based payment	–	–	–	140	(140)	–	–	–
– Investment property	–	–	(1,073)	–	573	(500)	–	(500)
As restated	17,463	2,222	–	140	13,591	33,416	(565)	32,851
Recognition of equity settled share-based payment	–	–	–	459	(459)	–	–	–
Profit for the period	–	–	–	–	2,184	2,184	260	2,444
At 31 January 2005 (unaudited)	<u>17,463</u>	<u>2,222</u>	<u>–</u>	<u>599</u>	<u>15,316</u>	<u>35,600</u>	<u>(305)</u>	<u>35,295</u>
At 1 May 2005 (audited)	17,463	2,222	–	–	19,811	39,496	(523)	38,973
Effect of changes in accounting policies								
– Share-based payment	–	–	–	615	(615)	–	–	–
As restated	17,463	2,222	–	615	19,196	39,496	(523)	38,973
Profit for the period	–	–	–	–	2,731	2,731	(29)	2,702
2004/2005 final dividend paid	–	–	–	–	(2,288)	(2,288)	–	(2,288)
At 31 January 2006 (unaudited)	<u>17,463</u>	<u>2,222</u>	<u>–</u>	<u>615</u>	<u>19,639</u>	<u>39,939</u>	<u>(552)</u>	<u>39,387</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review and outlook

For the nine months ended 31 January 2006, the turnover of the Group amounted to approximately HK\$107,263,000, representing a decrease of about 20% as compared with that of the corresponding period in 2005. Profit attributable to equity holders of the Group for the nine months ended 31 January 2006 was approximately HK\$2,731,000, which is equivalent to a decrease of about 14% as compared with that of the corresponding period in 2005.

During the period under review, the Group continued on its upward track of significant rebound brought about by the rapid recovery of the construction and real estate sector and the regaining of consumer as well as investor confidence in the Hong Kong economy. In respect of the scaffolding division, a total of 31 new works contracts were secured of which several new orders comprised the provision of scaffolding services for the renovation of shopping arcades of large commercial complexes such as Shatin New Town Plaza, and Tsuen Wan Plaza. The recent surge in the number of renovation works of large shopping arcades to capture the retail market boom presents ample opportunities for the Group to secure new works order in the arcade renovation market sector. Furthermore, the climbing scaffold work in Airport Express Kowloon Station (Phase 6) progressed in accordance with schedule and received unprecedented acclaim from the main contractor.

In respect of the operating results of the fitting out business division, a total of 9 new works contracts were awarded during the period under review. Among these contracts, there were 2 significant fitting out works contracts at Airport Express Kowloon Station (Phase 3) and MTR Olympic Station Site which contributed substantially to the turnover of the fitting out division. The successful diversification of the Group into the fitting out market and the goodwill it gained from its project references meant our Group has established a firm foothold to become one of the prominent players in the fitting out business.

During the nine months ended 31 January 2006, the participation of the Group in the Hong Kong Disneyland Project had been successfully completed. As a matter of fact, the Group had gained considerable goodwill, reputation and experience by rendering service to massive theme park projects such as the Hong Kong Disneyland. At present, the Group is consolidating its position as a prominent service provider in the market of Glass Reinforced Cement/Glass Reinforced Plastic (GRC/GRP) themed cladding services and will actively look for market opportunities in theme park artwork and artifact services. During the period under review, the Group was awarded 4 works contracts for the provision of GRC/GRP themed cladding services



to the Noah's Ark in Island Park, the provision of GRC cladding services to Island Park (Phase 5) Development in Ma Wan, to Ngau Tam Mei in Yuen Long and to a hotel development in Ting Kau. In addition, the marketing and negotiation of contract details in respect of our intended provision of design and supply of signages to two theme park projects in India were close to fruition and the management of the Group is extremely upbeat in the future of this market as a contributor of another significant source of revenue to the Group.

With regard to the access equipment division, the contract for the design, supply, installation and maintenance of access equipment for the Stonecutters Bridge proceeded according to plan. The duration of the project would last for over two years thus constituting a stream of constant revenue to the Group. Moreover, a contract for the supply and installation of building maintenance units for the MTR Olympic Station Development and a maintenance contract for the building maintenance units in Millennium City 5 in Kwun Tong were awarded during the period under review. In regard to the operating results of the supply and rental of temporary gondolas, four new contracts for the rental of temporary gondolas were secured and the access equipment division achieved the optimal level of utilization in respect of the Group's fleet of temporary gondolas. Furthermore, a sizable variation order for the installation of parapet railings in Route 8 Ngong Shuen Chau Viaduct was awarded.

In respect of the international division, its sales and marketing efforts continued to be focused in Macau. As Macau's tourist and entertainment industries flourished with the resulting vast increase in construction activities, the Group successfully secured several scaffolding works contracts of considerable value in the sites for Crown Hotel, Energy Centre, Sands VIP Tower and Venetian Macau respectively. The management of the Group is extremely confident that the current boom in the Macau economy will continue to present enormous market opportunities to the Group.

Regarding the development and marketing of new products by the Group, the new works contract for the provision of climbing scaffold to Airport Express Kowloon Station (Phase 6) had commenced and received favourable feedback from the main contractor. Besides, a new works contract for providing metal H-Frame scaffolding to the site at Sky Plaza in Chek Lap Kok Airport had commenced with positive feedback from the main contractor. The management of the Group is of the view that there is huge market potential for the metal H-frame scaffold and the Group is committed to employing additional marketing resources to promote this ingenious product to the Hong Kong construction industry.

After a considerable period of business diversification and consolidation, the Group has attained a level at which the various business units coalesce into a balanced business portfolio. In the light of the current bullish economic climate and investor confidence, coupled with the abundant market opportunities brought about by the prevailing boom in the Macau construction industry, the Group is well-positioned to benefit from the favourable business environment to move forward on its track of profitability.

## **DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 31 January 2006, the interests and short positions of the Directors of the Company in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### **Long positions in shares**

#### *Shares*

<b>Name of director</b>	<b>Number of ordinary shares held</b>		<b>Percentage of the issued share capital of the Company</b>
	<b>Personal interest</b>	<b>Family interest</b>	
Mr. So Yu Shing	242,215,000	74,225,000	69.0%
Ms. Lai Yuen Mei, Rebecca	74,225,000	242,215,000	69.0%
Mr. Woo Siu Lun	19,260,000	–	4.2%
Mr. Kong Kam Wang	–	700,000	0.2%

Ms. Lai Yuen Mei, Rebecca is the wife of Mr. So Yu Shing.

## Long positions in underlying shares

The following table discloses details of movements in respect of the Company's share options during the period:

Name of director	Date granted	Exercisable period (Both dates inclusive)	Exercise price <i>HK\$</i>	Outstanding at
				1.5.2005 and 31.1.2006
Mr. So Yu Shing	21 May 2002	28 May 2003 to 27 May 2009	0.381	4,500,000
	5 February 2004	12 February 2005 to 11 February 2011	0.094	4,500,000
Ms. Lai Yuen Mei, Rebecca	21 May 2002	28 May 2003 to 27 May 2009	0.381	4,500,000
	5 February 2004	12 February 2005 to 11 February 2011	0.094	4,500,000
Mr. Woo Siu Lun	21 May 2002	28 May 2003 to 27 May 2009	0.381	4,500,000
	5 February 2004	12 February 2005 to 11 February 2011	0.094	100,000
Mr. Kong Kam Wang	21 May 2002	28 May 2003 to 27 May 2009	0.381	4,500,000
	5 February 2004	12 February 2005 to 11 February 2011	0.094	300,000
				27,400,000

No options were granted during the period.

Save as disclosed above, as at 31 January 2006, none of the Directors of the Company or their associates had any interests or short positions in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required by the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

As at 31 January 2006, 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 2006, the Company has not been notified of any other person (other than a Director of the Company) having an interest or short position in shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

#### **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

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

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

During the nine months ended 31 January 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

During the period under review, the Company has complied with the corporate governance matters as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

In addition, the Company is in progress of establishing its remuneration committee and drafting its terms of reference to comply with the applicable code provisions set out in the Code on Corporate Governance Practice as contained in Appendix 15 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

During the nine months ended 31 January 2006, the Company had adopted a code of conduct regarding directors' securities transactions as set out in Rules 5.46 to 5.68 of the GEM Listing Rules. The Company had also made specific enquiry of all directors and was not aware of any non-compliance with the required standard of dealings and the code of conduct regarding securities transactions by directors.

## **COMPETING INTERESTS**

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

## **AUDIT COMMITTEE**

The Company has established an audit committee on 9 November 2001 with written terms of reference in compliance with the GEM Listing Rules. The audit committee has three members, namely Dr. Sritawat Kitipornchai, Mr. Yeung Po Chin and Mr. Lam Kwok Wing, all 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.

The Group's unaudited consolidated results for the nine months ended 31 January 2006 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.

As at the date of this report, the Board comprises Mr. So Yu Shing (Chairman and executive Director), Ms. Lai Yuen Mei Rebecca (executive Director), Mr. Ip Ping Hong Antony (executive Director), Mr. Woo Siu Lun (executive Director), Mr. Kong Kam Wang (executive Director), Dr. Sritawat Kitipornchai (independent non-executive Director), Mr. Yeung Po Chin (independent non-executive Director), Mr. Lam Kwok Wing (independent non-executive Director) and Mr. Hui Tung Wah (non-executive Director).

By order of the Board

**So Yu Shing**

*Chairman*

Hong Kong, 13 March 2006