



WLS Holdings Limited

滙隆控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

First Quarterly Report 2006/2007

* *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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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.

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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 founded on bases and assumptions that are fair and reasonable.

RESULTS FOR THE THREE MONTHS ENDED 31 JULY 2006

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 ended 31 July 2006 together with the comparative unaudited figures for the corresponding period in 2005 as follows:

UNAUDITED CONSOLIDATED INCOME STATEMENT

		Three months ended 31 July	
		2006	2005
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Revenue	3	45,680	37,387
Cost of sales		(38,576)	(30,446)
Gross profit		7,104	6,941
Other income		312	72
Administrative expenses		(5,620)	(5,419)
Finance costs		(935)	(430)
Share of results of associates		(7)	–
Share of results of jointly controlled entities		234	53
Profit before taxation		1,088	1,217
Taxation	4	86	(80)
Profit for the period		1,174	1,137
Profit attributable to:			
Equity holders of the Group		1,101	1,017
Minority interest		73	120
		1,174	1,137
Dividend per share	5	–	–
Earnings per share			
– basic	6	HK0.24 cent	HK0.22 cent

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Group					Minority interest	Total
	Share capital	Share premium	Merger reserve	Retained profits	Total		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 May 2005	4,575	17,463	2,222	17,826	42,086	(523)	41,563
Profit for the period	—	—	—	1,017	1,017	120	1,137
At 31 July 2005	<u>4,575</u>	<u>17,463</u>	<u>2,222</u>	<u>18,843</u>	<u>43,103</u>	<u>(403)</u>	<u>42,700</u>
At 1 May 2006	4,575	17,463	2,222	20,056	44,316	(203)	44,113
Profit for the period	—	—	—	1,101	1,101	73	1,174
At 31 July 2006	<u>4,575</u>	<u>17,463</u>	<u>2,222</u>	<u>21,157</u>	<u>45,417</u>	<u>(130)</u>	<u>45,287</u>

Notes:

1. Basis of preparation

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

2. Principal accounting policies

The unaudited condensed financial statements have been prepared on the historical cost basis except for certain properties which are measured at fair values.

The accounting policies and method of computation used in the preparation of condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 April 2006, except as described below.

During the period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 December 2005.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a foreign operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intra-group Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HK(IFRIC) – INT 4	Determining whether an Arrangement contains a Lease
HK(IFRIC) – INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC) – INT 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 “Financial Reporting in Hyper-Inflationary Economics”
HK(IFRIC) – INT 8	Scope of HKFRS 2

The application of the new HKFRSs has had no material effect on results and financial positions for the current and prior accounting periods.

The group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The Company is still not in the position to estimate the impact that may arise from the application of these new standards and interpretations.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives ²

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 June 2006

The preparation of condensed financial statements in conformity with Hong Kong Financial Reporting Standards issued by HKICPA requires the use of certain critical estimates. It also requires directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement, assumptions and estimates are significant to the condensed financial statements. These condensed financial statements should be read in conjunction with the 2006 annual financial statements.

3. Revenue

	Three months ended 31 July	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract revenue in respect of construction and building works for the provision of		
– scaffolding service	20,532	26,558
– fitting out service	11,540	7,045
Management contracting service	11,027	3,044
Gondolas, parapet railings and access equipment installation and maintenance services	2,581	740
	45,680	37,387

4. Taxation

The taxation credit (charge) comprises:

	Three months ended 31 July	
	2006	2005
	HK\$'000	HK\$'000
Hong Kong Profits Tax – current year	827	(80)
Other jurisdiction – current year	(741)	–
	<u>86</u>	<u>(80)</u>

Hong Kong Profits Tax is calculated at 17.5% of the assessable profit for the three months ended 31 July 2006.

Taxation arising on other jurisdiction is calculated at the rate in the relevant jurisdiction.

5. Dividend

The Directors do not recommend the payment of an interim dividend for the three months ended 31 July 2006 (three months ended 31 July 2005: Nil).

6. Earnings per share

The calculation of the basic earnings per share is based on the unaudited profit attributable to shareholders for the three months ended 31 July 2006 of HK\$1,101,000 (unaudited profit attributable to shareholders for the three months ended 31 July 2005: HK\$1,017,000) and the weighted average number of 457,500,000 ordinary shares for the period (three-month period ended 31 July 2005: 457,500,000 shares).

No diluted earnings per share has been presented for both years because the average exercise price of the Company's outstanding share options is higher than the average market prices of the share in both periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

For the three months ended 31 July 2006, the revenue of the Group amounted to approximately HK\$45,680,000, representing an increase of about 22% as compared with that of the corresponding period in 2005. Net profit attributable to shareholders for the three months ended 31 July 2006 was approximately HK\$1,101,000, representing an increase of about 8% as compared with approximately HK\$1,017,000 during the corresponding period in 2005.

During the period under review, the business operations of the scaffolding division encountered severe price competition from competitors. The number of new contracts awarded experienced a slight decrease and the contract value of each new project also dwindled. Nevertheless, there was an increase in the number of new tender invitations and the management of the Group is of the opinion that the total number of potential new contracts would increase considerably in the months ahead. As such, the negative effect on the Group's turnover caused by the drop in turnover in the scaffolding division in the first quarter of the current financial year of the Company would be alleviated.

In respect of the operating results of the fitting out business division, a total of two new contracts were awarded during the period under review. These two new contracts comprised of fitting out works performed for the construction site at Ngau Tam Mei in Yuen Long. The business prospects of the fitting out division continue to look bright in the months ahead thus contributing to a significant portion of the gross profit of 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. In addition, considerable marketing efforts were made to secure additional variation works orders for the on-going parapet railings projects in a bid to increase the turnover and market share of the Group in this sector. As for the Group's fleet of temporary gondolas, they enjoyed a satisfactory percentage of utilization during the period under review.

In respect of the GRC (Glass Reinforced Cement) and theme park division, considerable progress were made to open new overseas markets. Contracts for the supply and installation of GRC to external facade of the Venetian in Cotai were secured which contributed significantly to the turnover and profitability of the Group. Furthermore, new contracts for the design and supply of signages to a theme park in India also signified a sizeable boost to the business operations of the theme park business of the GRC and theme park division. Concurrently, the

on-going projects for the provision of themed cladding services to Noah's Ark and Park Island (Phase 5) continued to proceed according to schedule. The valuable experience and reputation gained by the Group in its participation in the Hong Kong Disneyland are important factors in consolidating the Group as one of the prominent players in the theme park service and GRC themed cladding service markets.

In regard to the international division, a sizeable contract for the supply of scaffolding services to the Venetian in Cotia was awarded. The marketing efforts of the Group continued to be focused on the booming Macau construction industry which provided a golden opportunity for the Group to capitalize on its advantageous position of being one of the first batch of construction-related companies to establish a foothold in Macau in 2002 supported by goodwill gained by our Macau project references and long-established connections and relationships with the main contractors engaged in construction projects in Macau.

At present, both the economies of Hong Kong and Macau are experiencing considerable boom in the sectors of construction, tourism, retail and entertainment. As the Group has successfully diversified geographically and in product range, the management of the Group is optimistic that the Company would continue on its rebound track in the ensuing reporting periods.

Financial Review

For the three months ended 31 July 2006, recognition of revenue increased by 22% to HK\$45,680,000 in accordance with the progress of construction work in respect of new projects in the fitting out, GRC and international divisions. Gross profit increased slightly to HK\$7,104,000. The profitability of projects of the GRC and international divisions has offset the negative impact of severe competition encountered by our scaffolding division.

To cater for business diversification, the Group's workforce was increased, thus leading to an increase in administrative expenses whilst the rise of bank interest rate in Hong Kong and expanded business operations contributed to the increase in finance costs.

As a result of business diversification and consolidation, profit attributable to shareholders increased by 8% to HK\$1,101,000.

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

As at 31 July 2006, the interests and short positions of the Directors (there is no 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 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares

Shares

Name of director	Number of ordinary shares held		Percentage of the issued share capital of the Company
	Personal interest	Family interest	
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 1.5.2006 and 31.7.2006
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 July 2006, none of the Directors or their associates (there is no 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 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 July 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

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

Save as disclosed above, as at 31 July 2006, the Company has not been notified of any other person (other than a Director of the Company and there is no 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.

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 2006, 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 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 three months ended 31 July 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.

CORPORATE GOVERNANCE

During the period, the Company has applied the principles of the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules.

By order of the Board

So Yu Shing

Chairman

Hong Kong, 13 September 2006

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).