



WLS Holdings Limited
滙隆控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8021)

Third Quarterly Report 2006/2007

* *For identification purpose 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 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.

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 2007 together with the comparative unaudited figures for the corresponding periods in 2006 as follows:

Consolidated Income Statement

	Notes	Three months ended 31 January		Nine months ended 31 January	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Revenue	3	60,746	35,993	164,430	107,263
Cost of sales		(53,770)	(28,457)	(142,700)	(85,840)
Gross profit		6,976	7,536	21,730	21,423
Other operating income		86	90	501	180
Administrative expenses		(5,462)	(6,668)	(16,159)	(17,390)
Finance costs		(1,199)	(654)	(3,241)	(1,685)
Share of results of associates		–	(5)	(7)	(15)
Share of results of jointly controlled entities		–	182	303	501
Profit before taxation		401	481	3,127	3,014
Taxation	4	376	(57)	257	(300)
Profit for the period		777	424	3,384	2,714
Attributable to:					
Equity holders of the Company		784	386	3,461	2,743
Minority interests		(7)	38	(77)	(29)
		777	424	3,384	2,714
Dividend	5	–	–	–	–
Earnings per share					
– basic	6	HK0.17 cent	HK0.08 cent	HK0.75 cent	HK0.60 cent

1. Basis of preparation

The unaudited consolidated financial results 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 consolidated financial results 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 consolidated financial results 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 consolidated financial results. These consolidated financial results should be read in conjunction with the 2006 annual financial statements.

3. Revenue

	Three months ended 31 January		Nine months ended 31 January	
	2007 (Unaudited) <i>HK\$'000</i>	2006 (Unaudited) <i>HK\$'000</i>	2007 (Unaudited) <i>HK\$'000</i>	2006 (Unaudited) <i>HK\$'000</i>
Contract revenue in respect of construction and building works for the provision of				
– scaffolding service	20,341	28,222	63,284	82,056
– fitting out service	12,957	2,893	38,471	13,952
Management contracting service	23,601	106	53,140	3,820
Gondolas, access equipment, parapet railing installation and maintenance services	3,847	4,772	9,535	7,435
	60,746	35,993	164,430	107,263

4. Taxation

The taxation credit (charge) comprises:

	Three months ended 31 January		Nine months ended 31 January	
	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong Profits Tax				
– current period	1,081	(57)	1,849	(300)
Other jurisdiction				
– current period	(705)	–	(1,592)	–
	<u>376</u>	<u>(57)</u>	<u>257</u>	<u>(300)</u>

Hong Kong Profits Tax was provided at the rate of 17.5% for the 9 months ended 31 January 2007 and 31 January 2006 on the estimated assessable profit arising in or derived from Hong Kong.

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

5. Dividend

On 5 October 2006, a cash dividend of HK0.4 cent per share, totalling HK\$508,000 and a scrip dividend of 6,144,200 ordinary shares was paid and despatched to shareholders as the final dividend for the year ended 30 April 2006 pursuant to the scrip dividend scheme of the Company.

The Board does not recommend the payment of an interim dividend for the nine months ended 31 January 2007 (nine months ended 31 January 2006: Nil).

6. 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 2007 amounting to HK\$784,000 and HK\$3,461,000 respectively (unaudited net profit attributable to equity holders of the Group for the three months and nine months ended 31 January 2006 amounting to HK\$386,000 and HK\$2,743,000 respectively) and the weighted average number of 463,644,200 ordinary shares and 460,149,130 ordinary shares for the respective period (three months and nine months ended 31 January 2006: 457,500,000 shares).

No diluted earnings per share has been presented for both periods 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.

7. Movement of reserves

	Attributable to equity holders of the Company					
	Share premium	Merger reserve	Retained profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 May 2005						
– As originally stated	17,463	2,222	19,811	39,496	(523)	38,973
– Effect of changes in accounting policies	–	–	(1,985)	(1,985)	–	(1,985)
– As restated (audited)	17,463	2,222	17,826	37,511	(523)	36,988
Profit for the period	–	–	2,743	2,743	(29)	2,714
2004/05 final dividend paid	–	–	(2,288)	(2,288)	–	(2,288)
At 31 January 2006 (unaudited)	17,463	2,222	18,281	37,966	(552)	37,414
At 1 May 2006 (audited)	17,463	2,222	20,056	39,741	(203)	39,538
Profit for the period	–	–	3,461	3,461	(77)	3,384
Issue of shares under scrip dividend scheme for 2005/06 final dividend	1,261	–	(1,322)	(61)	–	(61)
2005/06 final dividend paid	–	–	(508)	(508)	–	(508)
At 31 January 2007 (unaudited)	18,724	2,222	21,687	42,633	(280)	42,353

Note:

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

For the nine months ended 31 January 2007, the turnover of the Group amounted to approximately HK\$164.4 million, representing an increase of about 53% as compared with that of the corresponding period in 2006. Net profit attributable to shareholders for the nine months ended 31 January 2007 was approximately HK\$3.5 million, which is equivalent to an increase of about 26% from that of the corresponding period in 2006.

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 only a slight increase due to the increase in renovation activities of shopping arcades and other old buildings. At the same time, there was an increase in the number of new works projects available. Several sizeable contracts for the provision of scaffolding services for the renovation of World Trade Centre, Grand Century Place, C C Wu Building and Shatin Centre were secured during the nine months ended 31 January 2007. In addition, a new contract for the provision of climbing scaffold to a construction site in Kwun Tong was secured and the successful application of the climbing scaffold will present enormous marketing opportunities to the Group. With the rebound in property prices and the resultant increase in construction activities, the management of the Group is confident that the operating results of the scaffolding division will experience a turnaround in the months ahead.

In respect of the operating results of the fitting out business division, a total of nine new works contracts were awarded during the period under review. Among the new contracts, the significant ones include the provision of fitting out services to the lobby of the Millennium City (Phase 6) in Kwun Tong and to the lobby of a construction site in Cheung Sha Wan, and the provision of suspended ceiling works to the podium lobby of Airport Express Kowloon Station (Phase 6) development. The successful diversification of the Group into the fitting out market and the goodwill it acquired from project references contributed to the Group in becoming one of the prominent players in the fitting out industry.

With regard to the GRC (Glass Reinforced Cement) and theme park division, considerable business progress was achieved both in local and in overseas markets. During the period under review, two new contracts for the supply and installation of GRC to the external façade of the Venetian in Macau had been awarded. Moreover, 6 new contracts for the design and supply of signages and GRC themed cladding products to a number of theme parks in India were secured. Furthermore, two new contracts for the provision of GRC animal sculptures and GRC covered walkway in Ma Wan Park were awarded. This signifies a breakthrough in the expansion of the business operations of the Group's GRC and theme park division to overseas markets such as India and Macau. At the same time, the Group also experienced considerable success in increasing its market share in the local GRC market.

In respect of the access equipment division, the works contract for the design, supply, installation and maintenance of access equipment for the Stonecutters Bridge proceeded according to plan. Concurrently, additional variation works orders were obtained for the on-going parapet railings projects. Besides, the Group's fleet of temporary gondolas enjoyed nearly full level of utilization and a total of 8 new rental contracts for temporary gondolas were awarded.

As regards the international division, sizeable contracts for the supply of scaffolding services to the Venetian and the Sands Hotel in Macau were secured. As the Macau gaming and entertainment industries continue to flourish, the business strategy of the Group would target on the supply of a full range of construction-related products and services and to deploy considerable marketing efforts and resources to further penetrate the Macau market thus contributing to the overall profit of the Group.

With respect to the research and development division, following the success in obtaining the grant of the patent covering China in respect of our Metal-Bamboo Matrix Scaffolding in May 2006, the Group would then continue to develop and market our patented metal one-lock device coupler. The management of the Group is optimistic of the success in developing this ingenious product which will enhance the efficiency of the scaffolding erection process and has great market potential.

In conclusion, the Group achieved significant success in diversifying both in product range and in geographical segments. At present, the various business divisions of the Group have attained a balanced portfolio, thus relieving the burden of depending on the operational performance of one single product or being restricted to one geographical area. The present phenomenal boom of the construction activities in Macau provides abundant market opportunities to the Group. It is anticipated that the revenue from overseas projects would continue to contribute significantly to the business operations of the Group. With constant vigilance on cost control and the enhancement of operational efficiency on the part of the management, it is optimistic that the Group results will continue to improve thus enhancing shareholders' value.

Financial Review

The Group's revenue for the 3 months' and 9 months' periods under review amounted to HK\$60.7 million and HK\$164.4 million respectively. These represent an increase of 68% and 53% as compared with the corresponding periods in the last financial year.

The increase of revenue is due to the successful implementation of the Group's business and product diversification. The booming construction industry in Macau and economic growth in India contributed significantly to our management contracting and scaffolding businesses in Macau and India. Our fitting out division has benefited from the resurging consumer market and the demand for luxury residential housing in Hong Kong. All in all, these effects offset the reduction of revenue in scaffolding business in Hong Kong.

Gross profit increased slightly from HK\$21.4 million to HK\$21.7 million during the 9 months' period under review. The profit margins from the projects of our management contracting division and Macau scaffolding division are satisfactory, thus compensating the reduction of gross profit from Hong Kong scaffolding division due to severe competition.

Despite our business expansion and diversification, administrative expenses had been reduced from HK\$17.4 million to HK\$16.2 million. It was due to stringent control on overhead costs, rationalization of the utilization of workforce and seasonal fluctuation. However, the keen requirement of working capital for the diversified businesses led to the increase of finance costs from HK\$1.7 million to HK\$3.2 million.

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

As at 31 January 2007, 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

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	246,710,000	75,600,000	69.5%
Ms. Lai Yuen Mei, Rebecca	75,600,000	246,710,000	69.5%
Mr. Woo Siu Lun	19,260,000	–	4.2%
Mr. Kong Kam Wang	–	700,000	0.2%

Ms. Lai Yuen Mei, Rebecca is the spouse 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 31.1.2007
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 2007, 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 2007, 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	246,710,000
Ms. Lai Yuen Mei, Rebecca	75,600,000

Save as disclosed above, as at 31 January 2007, 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 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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. A report on the principal corporate governance practices adopted by the Company is set out in 2006 annual report of the Company.

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 2007 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 (Vice Chairman and executive Director), Mr. Woo Siu Lun (executive Director), Mr. Kong Kam Wang (executive Director), Mr. Kan Siu Lun (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 2007