



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 2010/2011

* *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 positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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 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 of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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 2011 together with the comparative unaudited figures for the corresponding periods in 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 January 2011

	Notes	Three months ended 31 January		Nine months ended 31 January	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Turnover	3	11,685	40,814	66,689	106,168
Cost of sales		(15,965)	(34,715)	(59,269)	(90,614)
Gross (loss)/profit		(4,280)	6,099	7,420	15,554
Other operating income		325	441	1,036	1,535
Increase in fair value of investment properties		–	–	–	1,800
Loss on disposal of investment property		–	–	–	(1,050)
Administrative expenses		(3,423)	(5,500)	(11,577)	(14,762)
Finance costs		(695)	(892)	(2,341)	(2,650)
(Loss)/Profit before taxation		(8,073)	148	(5,462)	427
Taxation	4	1,370	(40)	800	(201)
(Loss)/Profit for the period		(6,703)	108	(4,662)	226
Other comprehensive loss, net of tax expenses on placing of shares		–	–	(165)	(772)
Total comprehensive (loss)/income for the period		(6,703)	108	(4,827)	(546)
Attributable to:					
Equity holders of the Company		(6,409)	315	(4,949)	42
Minority interests		(294)	(207)	122	(588)
		(6,703)	108	(4,827)	(546)
Dividend	5	–	–	–	–
(Loss)/Earnings per share – basic	6	(HK0.70 cent)	HK0.04 cent	(HK0.57 cent)	HK0.005 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 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 unaudited consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 April 2010, 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 annual periods beginning on or after 1 January 2010.

HSAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause.

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 24 (Revised)	Related Party Disclosures ¹
HKFRS 9	Financial Instruments ²
HK(IFRIC) Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1 January 2011

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 July 2010

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 2010 annual financial statements.

3. Turnover

	Three months ended 31 January		Nine months ended 31 January	
	2011	2010	2011	2010
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Contract revenue in respect of construction and building works for the provision of				
– scaffolding service	34,651	28,436	83,367	75,269
– fitting out service	886	9,837	4,991	21,743
Management contracting service	(25,205)	–	(28,357)	–
Gondolas, access equipment, parapet railing installation and maintenance services	1,353	2,541	6,688	9,156
	11,685	40,814	66,689	106,168

4. Taxation

The taxation credit (charge) comprises:

	Three months ended 31 January		Nine months ended 31 January	
	2011	2010	2011	2010
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Hong Kong Profits Tax				
– current period	1,471	(84)	430	(649)
Other jurisdiction				
– current period	(101)	44	370	448
	1,370	(40)	800	(201)

Hong Kong Profits Tax was provided at the rate of 16.5% for the 9 months ended 31 January 2011 and 31 January 2010 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

The Board does not recommend the payment of an interim dividend for the nine months ended 31 January 2011 (nine months ended 31 January 2010: Nil).

6. (Loss)/Earnings per share

The calculation of the basic (loss)/earnings per share is based on the unaudited net loss attributable to equity holders of the Group for the three months and nine months ended 31 January 2011 amounting to approximately HK\$6,409,000 and approximately HK\$4,949,000 respectively (unaudited net profit attributable to equity holders of the Group for the three months and nine months ended 31 January 2010 amounting to approximately HK\$315,000 and approximately HK\$42,000 respectively) and the weighted average number of 909,142,693 ordinary shares and 860,555,736 ordinary shares for the respective period (three months and nine months ended 31 January 2010: 810,773,128 shares and 779,926,751 shares respectively).

No diluted earnings per share has been presented for both periods as the Company had no dilutive potential shares outstanding during both periods.

7. Movement of reserves

	Attributable to equity holders of the Company									
	Share premium	Merger reserve	Revaluation reserve	Share Option reserve	Convertible loan note equity reserve	Warrant reserve	Retained profits	Total	Minority interests	Total
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
At 1 May 2009 (audited)	60,935	2,222	1,446	7,589	143	–	28,825	101,160	(1,395)	99,765
Total comprehensive loss										
for the period	(772)	–	–	–	–	–	814	42	(588)	(546)
Placing of shares	14,290	–	–	–	–	–	–	14,290	–	14,290
Exercise of share options	1,822	–	–	–	–	–	–	1,822	–	1,822
At 31 January 2010 (unaudited)	<u>76,275</u>	<u>2,222</u>	<u>1,446</u>	<u>7,589</u>	<u>143</u>	<u>–</u>	<u>29,639</u>	<u>117,314</u>	<u>(1,983)</u>	<u>115,331</u>
At 1 May 2010 (Audited)	77,047	2,222	1,505	7,674	143	120	21,510	110,221	(1,453)	108,768
Total comprehensive loss										
for the period	(165)	–	–	–	–	–	(4,784)	(4,949)	122	(4,827)
Placing of shares	9,090	–	–	–	–	–	–	9,090	–	9,090
At 31 January 2011	<u>85,972</u>	<u>2,222</u>	<u>1,505</u>	<u>7,674</u>	<u>143</u>	<u>120</u>	<u>16,726</u>	<u>114,362</u>	<u>(1,331)</u>	<u>113,031</u>

Notes:

- 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 to the directors and employees of the Company at the relevant grant date.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

For the nine months ended 31 January 2011, the turnover of the Group amounted to approximately HK\$66,689,000, representing a decrease of about 37% as compared with a turnover of approximately HK\$106,168,000 of the corresponding period in 2010. Net loss attributable to equity holders of the Company for the nine months ended 31 January 2011 was approximately HK\$4,949,000, as compared with a net profit attributable to equity holders of the Company of approximately HK\$42,000 in the corresponding period in 2010.

During the period under review, the business operations of the scaffolding division experienced severe competition. Nevertheless, the scaffolding division benefited from increased construction activities brought about by the persistent rise in price of residential units, a sustained increase in commercial rent and infrastructure development initiated by the government. During the nine months ended 31 January 2011, the scaffolding division was awarded 16 new works contracts for the provision of scaffolding services. Amongst these new contracts, the most notable ones are the provision of metal scaffolding to the Cathay Pacific Cargo Terminal at Hong Kong International Airport and the provision of metal-bamboo system scaffolding to Ha Ko Po Tsuen in Kam Tin, Yuen Long.

In respect of the operating results of the fitting out business division, the on-going projects for the provision of fitting out services to the tower and duplex floor of the construction site at STTL 539 and to the Green Café in Union Hospital proceeded according to plan and were completed within time schedule.

In regard to the access equipment division, the Group's fleet of temporary gondolas attained a satisfactory utilisation level. Due to the seasonal factor in Christmas and New Year holidays, fewer new tenders were available for temporary gondola rental resulting in a lower utilisation rate of the temporary gondola fleet during the three months ended 31 January 2011. But all in all, the management of the Group predicted the continued boom in the rental market for temporary gondolas would further boost the operating results of the access equipment division. In addition, a contract for the supply and installation of building maintenance units to Parcels 5 and 6 of the Venetian in Macau was secured during the nine months ended 31 January 2011.

In respect of the international business division, the current works contracts for the supply and installation of access equipment to Parkview Green Plaza in Beijing was close to completion. Considerable goodwill was obtained by the Group upon its satisfactory completion of this overseas project.

During the period under review, the management of the Group is committed to vigilant cost control in all operating units. By undertaking stringent budget control and in view of the current bullish property market and increased number infrastructure and real estate development projects in Hong Kong, the management of the Group is of the opinion that the Group's business is on the right track and would improve steadily in the ensuing reporting periods.

Financial Review

For the three months and nine months ended 31 January 2011, the Group's revenue amounted to approximately HK\$11,685,000 and HK\$66,689,000 respectively. These represent a decrease of about 71% and about 37% respectively as compared with the corresponding periods in the last financial year. This decrease in revenue is largely attributable to the adjustment of revenue upon conclusion of final account of the Ma Wan Noah's Ark project in respect of the management contracting division.

Gross profit of the Group decreased from approximately HK\$15,554,000 to approximately HK\$7,420,000 during the period under review. This resulted mainly from the completion of fitting out and management contracting projects in the latter part of the period under review whilst new contract orders are still at tendering stage and not yet finalised. In addition, the Group's ongoing policy of stringent cost control continued in place across all operating units.

Despite our business expansion and diversification, administrative expenses had been reduced from approximately HK\$14,762,000 to approximately HK\$11,577,000. It was due to stringent control on overhead costs and rationalization of the utilisation of workforce. Finance costs decreased slightly from approximately HK\$2,650,000 to approximately HK\$2,341,000.

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

As at 31 January 2011, 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	
Dr. So Yu Shing	301,150,000	109,430,000	45.16%
Ms. Lai Yuen Mei, Rebecca	109,430,000	301,150,000	45.16%
Mr. Woo Siu Lun	18,400,000	–	2.02%
Mr. Kong Kam Wang	5,255,000	–	0.58%

Ms. Lai Yuen Mei, Rebecca is the spouse of Dr. 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 HK\$	Outstanding at 1.5.2010	Granted during the period	Exercised during the period	Outstanding at 31.01.2011
Dr. So Yu Shing	8 October 2007	15 April 2008 to 14 April 2014	0.60	2,800,000	–	–	2,800,000
	7 October 2009	14 April 2010 to 13 April 2016	0.17	5,000,000	–	–	5,000,000
	8 November 2010	8 December 2010 to 7 December 2016	0.128	–	1,290,000	–	1,290,000
Ms. Lai Yuen Mei, Rebecca	8 October 2007	15 April 2008 to 14 April 2014	0.60	2,800,000	–	–	2,800,000
	7 October 2009	14 April 2010 to 13 April 2016	0.17	5,000,000	–	–	5,000,000
	8 November 2010	8 December 2010 to 7 December 2016	0.128	–	1,290,000	–	1,290,000
Mr. Woo Siu Lun	8 October 2007	15 April 2008 to 14 April 2014	0.60	5,800,000	–	–	5,800,000
	2 May 2008	9 November 2008 to 8 November 2014	0.217	1,400,000	–	–	1,400,000
	8 November 2010	8 December 2010 to 7 December 2016	0.128	–	1,890,000	–	1,890,000
Mr. Kong Kam Wang	8 October 2007	15 April 2008 to 14 April 2014	0.60	4,300,000	–	–	4,300,000
	2 May 2008	9 November 2008 to 8 November 2014	0.217	2,900,000	–	–	2,900,000
	8 November 2010	8 December 2010 to 7 December 2016	0.128	–	1,890,000	–	1,890,000
				30,000,000	6,360,000	–	36,360,000

Save as disclosed above, as at 31 January 2011, none of the Directors or their associates (including 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 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 2011, 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
Dr. So Yu Shing	301,150,000
Ms. Lai Yuen Mei, Rebecca	109,430,000

Save as disclosed above, as at 31 January 2011, 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 2011, 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 2010 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 Mr. Yeung Po Chin, Mr. Lam Kwok Wing and Dr. Fung Ka Shuen, 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 2011 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 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. Woo Siu Lun (Executive Director), Mr. Yeung Po Chin (Independent Non-executive Director), Mr. Lam Kwok Wing (Independent Non-executive Director), Dr. Fung Ka Shuen (Independent Non-executive Director) and Mr. Hui Tung Wah (Non-executive Director).

By order of the Board
So Yu Shing
Chairman

Hong Kong, 11 March 2011