



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 2011/2012

* *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 2012 together with the comparative unaudited figures for the corresponding periods in 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 January 2012

	Notes	Three months ended 31 January		Nine months ended 31 January	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Turnover	3	28,226	11,685	85,178	66,689
Cost of sales		(23,350)	(15,965)	(69,838)	(59,269)
Gross profit/(loss)		4,876	(4,280)	15,340	7,420
Other operating income		420	325	1,218	1,036
Administrative expenses		(3,034)	(3,423)	(10,770)	(11,577)
Finance costs		(502)	(695)	(1,458)	(2,341)
Profit/(loss) before taxation		1,760	(8,073)	4,330	(5,462)
Taxation	4	(289)	1,370	(720)	800
Profit/(Loss) for the period		1,471	(6,703)	3,610	(4,662)
Other comprehensive loss, net of tax expenses on placing of shares		–	–	–	(165)
Total comprehensive income/(loss) for the period		1,471	(6,703)	3,610	(4,827)
Attributable to:					
Equity holders of the Company		1,392	(6,409)	4,059	(4,949)
Minority interests		79	(294)	(449)	122
		1,471	(6,703)	3,610	(4,827)
Dividend	5	–	–	–	–
Earnings/(loss) per share – basic	6	HK0.12 cent	(HK0.70 cent)	HK0.36 cent	(HK0.57 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 2011, 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 2011.

HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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 19 (2011)	Employee Benefits ¹
HKAS 27 (2011)	Separate Financial Statements ¹
HKAS 28 (2011)	Investments in Associates and Joint Ventures ¹
HKFRS 9	Financial Instruments ¹
HKFRS 10	Consolidated Financial Statements ¹
HKFRS 11	Joint Arrangements ¹
HKFRS 12	Disclosure of Interests in Other Entities ¹
HKFRS 13	Fair Value Measurement ¹
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ¹

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

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 2011 annual financial statements.

3. Turnover

	Three months ended 31 January		Nine months ended 31 January	
	2012 (Unaudited) <i>HK\$'000</i>	2011 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>	2011 (Unaudited) <i>HK\$'000</i>
Contract revenue in respect of construction and building works for the provision of				
– scaffolding service	24,921	34,651	76,401	83,367
– fitting out service	852	886	2,356	4,991
Management contracting service	–	(25,205)	20	(28,357)
Gondolas, access equipment, parapet railing installation and maintenance services	2,453	1,353	6,401	6,688
	28,226	11,685	85,178	66,689

4. Taxation

The taxation (charge)/credit comprises:

	Three months ended 31 January		Nine months ended 31 January	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Hong Kong Profits Tax				
– current period	(286)	1,471	(834)	430
Other jurisdiction				
– current period	(3)	(101)	114	370
	<u>(289)</u>	<u>1,370</u>	<u>(720)</u>	<u>800</u>

Hong Kong Profits Tax was provided at the rate of 16.5% for the 9 months ended 31 January 2012 and 31 January 2011 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 2012 (nine months ended 31 January 2011: Nil).

6. Earnings/(Loss) per share

The calculation of the basic earnings/(loss) 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 2012 amounting to approximately HK\$1,392,000 and approximately HK\$4,059,000 respectively (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) and the weighted average number of 1,119,762,693 ordinary shares and 1,111,577,113 ordinary shares for the respective period (three months and nine months ended 31 January 2011: 909,142,693 shares and 860,555,736 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	Convertible			Warrant reserve	Retained profits	Minority interests	Total
				Share option reserve	Share equity reserve	loan note reserve				
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 May 2010 (Audited)	77,047	2,222	1,505	7,674	143	120	21,150	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 (Unaudited)	<u>85,972</u>	<u>2,222</u>	<u>1,505</u>	<u>7,674</u>	<u>143</u>	<u>120</u>	<u>16,366</u>	<u>114,362</u>	<u>(1,331)</u>	<u>113,031</u>
At 1 May 2011 (Audited)	98,008	2,222	1,485	8,834	-	120	(5,570)	105,099	(3,043)	102,056
Total comprehensive income for the period	-	-	-	-	-	-	4,059	4,059	(449)	3,610
Placing of shares	21,071	-	-	-	-	-	-	21,071	-	21,071
Exercise of share options	295	-	-	-	-	-	-	295	-	295
At 31 January 2012 (Unaudited)	<u>119,374</u>	<u>2,222</u>	<u>1,485</u>	<u>8,834</u>	<u>-</u>	<u>120</u>	<u>(1,511)</u>	<u>130,524</u>	<u>(3,492)</u>	<u>127,032</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.

8. Disposal of leasehold land and building

On 15 October 2011, an indirect wholly owned subsidiary of the Company entered into two provisional sale and purchase agreements in relation to the disposal of leasehold land and building with net book value of approximately HK\$6,003,000 as at 31 January 2012 for an aggregate consideration of HK\$21,000,000. Completion of the disposal was completed on 29 February 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

For the nine months ended 31 January 2012, the turnover of the Group amounted to approximately HK\$85,178,000, representing an increase of about 28% as compared with that of the corresponding period in 2011. Net profit attributable to equity holders of the Company for the nine months ended 31 January 2012 was approximately HK\$4,059,000, as compared with a net loss attributable to equity holders of the Company recorded in the corresponding period in 2011.

During the period under review, the business operations of the scaffolding division continued to experience severe competition from competitors. Nevertheless, the scaffolding division received an increased number of invitations to tender its services for real estate development projects as well as large-scale infra-structure projects such as the Kai Tak Cruise Terminal Building Development and the West Kowloon Terminal (South) of the Express Rail Link. During the nine months ended 31 January 2012, the scaffolding division was awarded 18 new works contracts for the provision of scaffolding services amongst which the most significant project was the provision of scaffolding to the construction site at TMTL 447 (Phase 2) comprising of the residential blocks above the Tuen Mun Railway Station. As for the other contracts on hand, 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. Such scaffolding projects all proceeded according to plan.

In respect of the operating results of the fitting out business division, a contract for the supply and installation of suspended ceilings to the residential development at Area 56, Tseung Kwan O Lot 72 was secured during the period under review.

In regard to the access equipment division, the Group's fleet of temporary gondolas attained a satisfactory rate of utilization. The management of the Group envisaged to embark on an expansion of the fleet of temporary gondolas to profit from the continued boom in the rental market for temporary gondolas. As a result, it was predicted that the current buoyant market demand would further boost the operating results of the access equipment division. Concurrently, the supply and installation of building maintenance units to Parcel 5 and 6 of the Venetian in Macau proceeded according to schedule.

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 completed according to plan. Considerable goodwill was obtained by the Group upon its satisfactory completion of this overseas project.

During the period under review, the research and development division accomplished the grant of a Hong Kong Standard Patent of Scaffold Guard Rail Support to the Group. This achievement reinforced the market leader status of the Group and further enhanced its prestige and image in the scaffolding industry.

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 increased number of infrastructure and real estate development projects in Hong Kong, the management of the Group is of the opinion that the Group's business is in the right track and would improve steadily in the ensuing reporting periods.

Financial Review

For the three months and nine months ended 31 January 2012, the Group's revenue amounted to approximately HK\$28,226,000 and HK\$85,178,000 respectively. These represent an increase of about 142% and about 28% respectively as compared with the corresponding periods in the last financial year. This increase in revenue is largely attributable to the absence of the adjustment of revenue upon conclusion of final account of the Ma Wan Noah's Ark project in respect of the management contracting division experienced during the last financial year.

Gross profit of the Group increased from approximately HK\$7,420,000 to approximately HK\$15,340,000 during the period under review. This resulted mainly from the combined factors of increased turnover and a higher profit margin due to increased contract value and lower operating and administrative expenses. Concurrently, 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\$11,577,000 to approximately HK\$10,770,000. It was due to stringent control on overhead costs and rationalization of the utilisation of workforce. Finance costs decreased from approximately HK\$2,341,000 to approximately HK\$1,458,000.

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

As at 31 January 2012, 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	316,300,000	115,720,000	38.58%
Ms. Lai Yuen Mei, Rebecca	115,720,000	316,300,000	38.58%
Mr. Woo Siu Lun	20,290,000	–	1.81%
Mr. Kong Kam Wang	7,145,000	–	0.64%
Mr. So Wang Bon, Edward	5,849,901	–	0.52%

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 <i>HKS</i>	Outstanding at 1.5.2011	Granted during the period	Exercised during the period	Outstanding at 31.01.2012
Dr. So Yu Shing	8 October 2007	15 April 2008 to 14 April 2014	0.60	2,800,000	–	–	2,800,000
	17 October 2011	1 November 2011 to 31 October 2012	0.091	–	2,000,000	–	2,000,000
Ms. Lai Yuen Mei, Rebecca	8 October 2007	15 April 2008 to 14 April 2014	0.60	2,800,000	–	–	2,800,000
	17 October 2011	1 November 2011 to 31 October 2012	0.091	–	2,000,000	–	2,000,000
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
	17 October 2011	1 November 2011 to 31 October 2012	0.091	–	2,000,000	–	2,000,000
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
	17 October 2011	1 November 2011 to 31 October 2012	0.091	–	2,000,000	–	2,000,000
Mr. So Wang Bon, Edward	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
	17 October 2011	1 November 2011 to 31 October 2012	0.091	–	2,000,000	–	2,000,000
Mr. Yu Yeung Hoi, Stephen	17 October 2011	1 November 2011 to 31 October 2012	0.091	–	2,000,000	–	2,000,000
				27,200,000	12,000,000	–	39,200,000

Save as disclosed above, as at 31 January 2012, 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 2012, 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	316,300,000
Ms. Lai Yuen Mei, Rebecca	115,720,000
China Mineral United Holdings Limited (<i>Note 1</i>)	35,080,000
Ms. Zhang Hailan (<i>Note 2</i>)	48,130,000

Note:

1. China Mineral United Holdings Limited, a company incorporated in the British Virgin Islands, is 100% beneficially owned by Mr. Zheng Zhi. As such, Mr. Zheng Zhi is also deemed to be the beneficial owner of 35,080,000 ordinary shares of the Company. Together with the 48,130,000 ordinary shares of the Company held by Ms. Zhang Hailan, the spouse of Mr. Zheng Zhi, Mr. Zheng Zhi is deemed to have interest in a total of 83,210,000 ordinary shares of the Company and hence a substantial shareholder of the Company.
2. 48,130,000 ordinary shares of the Company are held by Ms. Zhang Hailan. Together with the 35,080,000 ordinary shares of the Company held by Mr. Zheng Zhi, the spouse of Ms. Zhang Hailan, via China Mineral United Holdings Limited, Ms. Zhang Hailan is deemed to have interests in a total of 83,210,000 ordinary shares of the Company and hence a substantial shareholder of the Company.

Save as disclosed above, as at 31 January 2012, 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 2012, 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 2011 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 2012 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 (Chief Executive Officer and Executive Director), Ms. Lai Yuen Mei, Rebecca (Executive Director), Mr. Woo Siu Lun (Executive Director), Mr. So Wang Bon, Edward (Executive Director), Mr. Yu Yeung Hoi, Stephen (Executive Director), Mr. Yeung Po Chin (Independent Non-executive Director), Mr. Lam Kwok Wing (Independent Non-executive Director) and Dr. Fung Ka Shuen (Independent Non-executive Director).

By order of the Board
So Yu Shing
Chairman

Hong Kong, 13 March 2012