



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 2013/2014

* *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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim 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 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 2014 together with the comparative unaudited figures for the corresponding periods in 2013 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 January 2014

	Notes	Three months ended 31 January		Nine months ended 31 January	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Turnover	3	28,170	38,870	87,514	107,562
Cost of sales		(26,916)	(33,027)	(77,216)	(89,699)
Gross profit		1,254	5,843	10,298	17,863
Other income		280	239	1,411	1,196
Increase in fair value of investment properties		–	–	–	3,300
Operating expenses		(4,047)	(3,393)	(11,922)	(14,619)
Finance costs		(564)	(480)	(1,614)	(1,198)
(Loss)/Profit before taxation		(3,077)	2,209	(1,827)	6,542
Taxation	4	504	(441)	283	(1,931)
(Loss)/Profit for the period		(2,573)	1,768	(1,544)	4,611
Other comprehensive income, net of tax		–	–	–	–
Total comprehensive (loss)/income for the period		<u>(2,573)</u>	<u>1,768</u>	<u>(1,544)</u>	<u>4,611</u>
Attributable to:					
Equity holders of the Company		(2,490)	1,805	(1,421)	4,782
Non-controlling interests		(83)	(37)	(123)	(171)
		<u>(2,573)</u>	<u>1,768</u>	<u>(1,544)</u>	<u>4,611</u>
Dividend	5	–	–	–	–
(Loss)/Earnings per share	6				
– basic		<u>(HK0.221 cent)</u>	<u>HK0.161 cent</u>	<u>(HK0.127 cent)</u>	<u>HK0.427 cent</u>
– diluted		<u>(HK0.217 cent)</u>	<u>HK0.161 cent</u>	<u>(HK0.126 cent)</u>	<u>HK0.427 cent</u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 January 2014

	Attributable to equity holders of the Company								
	Share capital	Share premium	Merger reserve	Share option reserve	Warrant reserve	Retained profits/ (Accumulated losses)	Total	Non-controlling 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>
At 1 May 2012 (Audited)	11,198	119,374	2,222	7,668	–	7,315	147,777	(6,000)	141,777
Total comprehensive income for the period	–	–	–	–	–	4,782	4,782	(171)	4,611
Issue of warrants	–	–	–	–	200	–	200	–	200
At 31 January 2013 (Unaudited)	<u>11,198</u>	<u>119,374</u>	<u>2,222</u>	<u>7,668</u>	<u>200</u>	<u>12,097</u>	<u>152,759</u>	<u>(6,171)</u>	<u>146,588</u>
At 1 May 2013 (Audited)	11,198	119,374	2,222	7,174	200	(5,934)	134,234	(6,260)	127,974
Total comprehensive loss for the period	–	–	–	–	–	(1,421)	(1,421)	(123)	(1,544)
Placing of shares	2,239	21,947	–	–	–	–	24,186	–	24,186
Expenses on placing of shares	–	(1,069)	–	–	–	–	(1,069)	–	(1,069)
At 31 January 2014 (Unaudited)	<u>13,437</u>	<u>140,252</u>	<u>2,222</u>	<u>7,174</u>	<u>200</u>	<u>(7,355)</u>	<u>155,930</u>	<u>(6,383)</u>	<u>149,547</u>

Notes:

1. 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.
2. 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 dates.

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 2013, except as described below.

The Group has adopted and applied, for the first time, the following new standards or interpretations issued by HKICPA that have been issued and effective for the financial year beginning 1 May 2013:

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

The application of new and revised HKFRSs had no effect on the condensed consolidated financial information for the current or 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.

HK (IFRIC) – Int 21	Levies ¹
---------------------	---------------------

¹ Effective for annual periods beginning on or after 1 January 2014

The preparation of unaudited consolidated financial information 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 unaudited consolidated financial information. These unaudited consolidated financial information should be read in conjunction with the 2013 annual consolidated financial statements.

3. Turnover

	Three months ended 31 January		Nine months ended 31 January	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contract revenue in respect of construction and building works for the provision of				
– scaffolding service	19,196	36,664	62,895	102,090
– fitting out service	3,107	23	13,721	1,214
Management contracting service	612	–	871	–
Gondolas, access equipment, parapet railing installation and maintenance services	5,255	2,183	10,027	4,258
	<u>28,170</u>	<u>38,870</u>	<u>87,514</u>	<u>107,562</u>

4. Taxation

Taxation credit/(charge) comprises:

	Three months ended 31 January		Nine months ended 31 January	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong Profits Tax – current period	504	(441)	283	(1,916)
Macau Complementary Tax – current period	–	–	–	–
	<u>504</u>	<u>(441)</u>	<u>283</u>	<u>(1,916)</u>
Deferred tax – current period	–	–	–	(15)
	<u>504</u>	<u>(441)</u>	<u>283</u>	<u>(1,931)</u>

Hong Kong Profits Tax was provided at the rate of 16.5% for the 9 months ended 31 January 2014 and 31 January 2013 on the estimated assessable profit arising in or derived from Hong Kong.

No Macau Complementary Tax has been provided as the Group had no assessable profits subject to such tax for the nine months ended 31 January 2014.

Deferred tax was provided at the rate of 16.5% for the nine months ended 31 January 2013 on the tax effect arising from timing differences on accelerated tax depreciation which is expected to crystallise in the foreseeable future.

5. Dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 31 January 2014 (nine months ended 31 January 2013: 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 respective three months and nine months ended 31 January 2014 amounting to approximately (HK\$2,490,000) and approximately (HK\$1,421,000) respectively (unaudited net profit attributable to equity holders of the Group for the respective three months and nine months ended 31 January 2013 amounting to approximately HK\$1,805,000 and approximately HK\$4,782,000 respectively) and the weighted average number of 1,127,065,410 ordinary shares and 1,122,196,932 ordinary shares for the respective periods (three months and nine months ended 31 January 2013: 1,119,762,693 shares and 1,119,762,693 shares respectively).

The calculation of diluted (loss)/earnings per share is based on the unaudited net loss attributable to equity holders of the Group for the respective three months and nine months ended 31 January 2014 per above and the adjusted weighted average number of 1,148,596,658 ordinary shares and 1,131,444,611 ordinary shares for the respective periods. Diluted earnings per share are the same as basic earnings per share for the three months and nine months periods ended 31 January 2013 as the Company had no dilutive potential shares outstanding during both periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

For the nine months ended 31 January 2014, the turnover of the Group amounted to approximately HK\$87,514,000, representing a decrease of approximately 19% as compared with that of the corresponding period in 2013. Net loss attributable to equity holders of the Company for the nine months ended 31 January 2014 was approximately HK\$1,421,000 as compared against a net profit attributable to equity holders of approximately HK\$4,782,000 for the corresponding period in 2013.

During the period under review, the business operations of the scaffolding division continued to experience severe competition from competitors with lower profit margin and limited room for price increases. During the nine months ended 31 January 2014, the scaffolding division was awarded 26 new works contracts for the provision of scaffolding services. Concurrently, the provision of scaffolding services at the Mass Transit Railway Ocean Park Station and Wong Chuk Hang Station together with the two large construction sites in Yoho Town 3 and Sha Po, Yuen Long all proceeded according to plan.

In respect of the operating results of the fitting out business division, a contract for the provision of fitting out services to the bridal room at 100th floor of International Commerce Centre was completed during the period under review.

In regard to the access equipment division, the contract for the supply and installation of an aerial working platform and a personal lift to the Riva was completed. Concurrently, the two contracts for the supply and installation of building maintenance units to the University Station of the Mass Transit Railway Corporation and to a residential development at Blue Pool Road all proceeded according to plan during the period under review. In addition, the Group's fleet of temporary gondolas attained nearly full utilization. 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 respect of the management contracting business division, a contract for the supply and installation of glass re-inforced concrete (GRC) panels for the Mass Transit Railway Express Rail Link in Shek Kong, New Territories was awarded and progressed according to plan during the period under review.

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 development projects in Hong Kong, our management 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 2014, the Group's revenue amounted to approximately HK\$28,170,000 and HK\$87,514,000 respectively. These represent a decrease of approximately 28% and approximately 19% respectively as compared with the corresponding periods in the preceding financial year. This decrease in revenue is largely attributable to the lower contract price awarded due to severe competition currently faced by the scaffolding division.

During the period under review, gross profit of the Group decreased from approximately HK\$17,863,000 to approximately HK\$10,298,000 as compared with the nine-month period ended 31 January 2013. This resulted mainly from the combined factors of decreased turnover and a lower profit margin due to severe competition faced by the scaffolding division. Nevertheless, the Group's ongoing policy of stringent cost control continued in place across all operating units.

In spite of the ongoing business expansion and diversification, operating expenses decreased from approximately HK\$14,619,000 to approximately HK\$11,922,000. Finance costs increased from approximately HK\$1,198,000 to approximately HK\$1,614,000.

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

As at 31 January 2014, 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. Woo Siu Lun	18,630,000	–	1.39%
Mr. Kong Kam Wang	7,145,000	–	0.53%
Mr. So Wang Bon, Edward	5,849,901	–	0.44%

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 1.5.2013	Granted during the period	Exercised during the period	Outstanding at 31.01.2014
Dr. So Yu Shing	8 October 2007	15 April 2008 to 14 April 2014	0.60	2,800,000	–	–	2,800,000
	9 November 2012	23 November 2012 to 22 November 2014	0.061	8,300,000	–	–	8,300,000
Ms. Lai Yuen Mei, Rebecca	8 October 2007	15 April 2008 to 14 April 2014	0.60	2,800,000	–	–	2,800,000
	9 November 2012	23 November 2012 to 22 November 2014	0.061	8,300,000	–	–	8,300,000
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
	9 November 2012	23 November 2012 to 22 November 2014	0.061	3,900,000	–	–	3,900,000
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
	9 November 2012	23 November 2012 to 22 November 2014	0.061	3,900,000	–	–	3,900,000
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
	9 November 2012	23 November 2012 to 22 November 2014	0.061	3,900,000	–	–	3,900,000
Mr. Yu Yeung Hoi, Stephen	9 November 2012	23 November 2012 to 22 November 2014	0.061	2,000,000	–	–	2,000,000
Mr. Yeung Po Chin	9 November 2012	23 November 2012 to 22 November 2014	0.061	2,000,000	–	–	2,000,000
Mr. Lam Kwok Wing	9 November 2012	23 November 2012 to 22 November 2014	0.061	2,000,000	–	–	2,000,000
Dr. Fung Ka Shuen	9 November 2012	23 November 2012 to 22 November 2014	0.061	2,000,000	–	–	2,000,000
				63,500,000	–	–	63,500,000

Save as disclosed above, as at 31 January 2014, 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 2014, 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 as recorded in the register required to be kept under section 336 of the SFO.

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 2014, 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 the 2013 annual report of the Company.

In full compliance with rule 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three independent non-executive directors and at least one of them has the appropriate professional qualifications or accounting or related financial management expertise.

For the three months ended 31 January 2014, the Company has complied with Code Provision A.5.6 in the revised Corporate Governance Code and the Corporate Governance Report.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Board has adopted a board diversity policy with effect from 1 September

2013. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge.

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 2014 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. 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, 7 March 2014