



WLS Holdings Limited

滙隆控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Third Quarterly Report 2002

* *For identification purposes only*

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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This report, for which the directors (“the Directors”) of WLS Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are found on bases and assumptions that are fair and reasonable.

SUMMARY OF RESULTS

- Turnover of the Group for the nine months ended 31st January, 2002 amounted to approximately HK\$134.69 million, representing an increase of about 9% as compared with the corresponding period in 2001.
- Net profit attributable to shareholders was approximately HK\$9.38 million, representing an increase of about 19% over the corresponding period in 2001.
- Earnings per share was HK2.36 cents, representing an increase of about 15% over the corresponding period in 2001.
- The Directors do not recommend an interim dividend for the nine months ended 31st January, 2002.

RESULTS FOR THE NINE MONTHS ENDED 31ST JANUARY, 2002

The Board of Directors (the “Board”) 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 31st January, 2002 together with the comparative unaudited figures for the corresponding periods in 2001 as follows:

	<i>Notes</i>	Three months ended 31st January,		Nine months ended 31st January,	
		2002 (Unaudited) <i>HK\$'000</i>	2001 (Unaudited) <i>HK\$'000</i>	2002 (Unaudited) <i>HK\$'000</i>	2001 (Unaudited) <i>HK\$'000</i>
Turnover	2	45,905	48,196	134,688	123,589
Cost of sales		(36,430)	(39,017)	(107,674)	(100,260)
Gross profit		9,475	9,179	27,014	23,329
Other revenue		817	63	1,325	359
Administrative expenses		(5,467)	(5,036)	(14,950)	(11,645)
Other operating expenses		–	–	(124)	(2)
Profit from operations		4,825	4,206	13,265	12,041
Finance costs	3	(485)	(730)	(1,760)	(2,439)
Profit before taxation		4,340	3,476	11,505	9,602
Taxation	4	(700)	(567)	(2,125)	(1,700)
Net profit attributable to shareholders		<u>3,640</u>	<u>2,909</u>	<u>9,380</u>	<u>7,902</u>
Dividend	5	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Earnings per share – basic	6	<u>0.86 cent</u>	<u>0.76 cent</u>	<u>2.36 cents</u>	<u>2.05 cents</u>

Notes:

1. Group reorganisation and basis of preparation

The Company was incorporated in the Cayman Islands on 23rd July, 2001 as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands.

Pursuant to a group reorganisation (the “Reorganisation”) to rationalise the group structure in preparation for the listing of the Company’s shares on GEM, the Company issued fully paid shares in exchange for the entire issued share capital of WLS (BVI) Limited and thereby became the holding company of the Group formed after the completion of the Reorganisation on 23rd November, 2001. The shares of the Company were listed on GEM of the Stock Exchange on 7th December, 2001.

The Reorganisation involved companies under common control, and the Group resulting from the Reorganisation is regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the unaudited consolidated results of the Group have been prepared as if the Group for the three months and nine months ended 31st January, 2002 had been in existence throughout the periods covered by this announcement or since their respective dates of incorporation, where this is a shorter period.

All significant intra-group transactions and balances have been eliminated on consolidation.

The unaudited consolidated results of the Group are prepared in accordance with the requirements as set out in the GEM Listing Rules and the Statement of Standard Accounting Practice issued by the Hong Kong Society of Accountants. The accounting policies and basis for the preparation of the unaudited consolidated results of the Group are consistent with those used in the Accountants’ Report as set out in the prospectus of the Company dated 30th November, 2001 (the “Prospectus”).

2. Turnover

Turnover represents long-term contract revenue.

3. Finance costs

The finance costs comprise:

	Three months ended 31st January,		Nine months ended 31st January,	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest and charges	430	650	1,524	2,253
Finance lease charges	55	80	236	186
	<u>485</u>	<u>730</u>	<u>1,760</u>	<u>2,439</u>

4. Taxation

The taxation charge comprises:

	Three months ended 31st January,		Nine months ended 31st January,	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax				
– current	891	472	2,077	1,366
– deferred	(191)	95	48	334
	<u>700</u>	<u>567</u>	<u>2,125</u>	<u>1,700</u>

Hong Kong profits tax was provided at the rate of 16% on the three months and the nine months ended 31st January, 2002 (2001: 16%) on the estimated assessable profits arising in or derived from Hong Kong.

5. Dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 31st January, 2002 (2001: Nil).

6. Earnings per share

The calculation of the basic earnings per share is based on the unaudited net profit attributable to shareholders for the three months and nine months ended 31st January, 2002 of HK\$3,640,000 and HK\$9,380,000 respectively (three months and nine months ended 31st January, 2001: HK\$2,909,000 and HK\$7,902,000 respectively) and the weighted average number of 423,939,130 shares and 398,113,043 shares respectively for the three months and nine months ended 31st January, 2002 (2001: 385,200,000 ordinary shares for both periods) deemed to be in issue during the periods on the assumption that 385,200,000 ordinary shares had been in issue since 1st May, 2000 pursuant to the Reorganisation described in Note 1.

No diluted earnings per share for the three months and nine months ended 31st January, 2002 and 2001 have been presented because there were no dilutive potential ordinary shares in existence during the periods.

7. Movement of reserves

For the three months and nine months ended 31st January, 2002, there was placing of new shares for listing in the third quarter under review, which gave rise to a share premium with net balance of premium from the placing of new shares for HK\$23,976,000, capitalization issue upon Reorganisation for HK\$3,848,000 and deduction of placing and listing expenses of HK\$6,175,000.

For the nine months ended 31st January, 2002 a revaluation deficit of HK\$1,000,000 was recorded in investment property revaluation reserve whereas there was no movement for the three months ended 31st January, 2002.

For the three months and nine months ended 31st January, 2002, other than the profit for the respective periods, there was no movement in the retained profit.

For the three months and nine months ended 31st January, 2002, there was no movement in the merger reserve.

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the business of scaffolding works, including the traditional bamboo scaffolding, metal scaffolding and MBMSS (Metal-Bamboo Matrix System Scaffolds). The Company's shares were successfully listed on GEM on 7th December, 2001, marking a significant era for the Group.

During the period under review, the Group consolidated its efforts to increase its market share in the field of the local bamboo and metal scaffolding works to cope with the slowdown in activity in the overall local construction industry. At the same time, continuous concerted marketing efforts were exerted extensively to promote the Group's patented MBMSS to major main contractors in Hong Kong and real estate developers in Southeast Asia. These efforts contributed to a turnover of approximately HK\$134,688,000 for the nine months ended 31st January, 2002, representing a 9% increase as compared with the corresponding period in 2001. For the three months ended 31st January, 2002, the Group recorded a turnover of HK\$45,905,000, representing a slight decrease of 4.7% as compared with the corresponding period in 2001 due to the widely conceived imminent advent of a significant downturn in the U.S. economy after the terrorist attack on 11th September, 2001. This led to an unfavourable psychological impact and slightly hindered the progress of some scaffolding projects during the three months ended 31st January, 2002. The depressed market sentiment is foreseen to gradually evaporate as the economy of the United States recently manifests a recovery, which is a sign of probable future rebound.

For the nine months ended 31st January, 2002, net profit attributable to shareholders was approximately HK\$9,380,000, representing a 19% increase as compared with the corresponding period in 2001. For the three months ended 31st January, 2002, net profit attributable to shareholders was approximately HK\$3,640,000, representing a 25% increase as compared with the corresponding period in 2001. Our relative competitiveness brought about by our distinguished strategies coupled with the enhancement in operation efficiency contributed to generate this momentum in steady and sustained growth.

In December 2001, the Group entered into a joint venture with MKP Holding SDN BHD of Malaysia with an aim to marketing and promoting MBMSS and carrying out MBMSS works in the Asian countries. This joint venture is 49% owned by a subsidiary of the Company and 51% owned by MKP Holding SDN BHD. Besides, the Group deployed a group of advisors, senior managers and technicians in January 2002 to a construction site in Kuala Lumpur, Malaysia to present a demonstration of scaffolding to the Malaysian Government authorities whose response was extremely positive, thus fuelling hope for the establishment of a successful bridgehead of the Group in the Malaysian Peninsula.

In December 2001, the gondola division of the Group was awarded a contract for the rental of 28 sets of gondolas in a large construction project in Yuen Long. Our stock of gondolas was fully utilised for the duration of our gondola rental contracts on hand in the first quarter of 2002.

In regard to the future, the Group will capitalise on its enhanced status as a publicly listed company to continue to expand its market share in the local scaffolding industry. In respect of the overseas market, the accession to the World Trade Organisation and the hosting of the 2008 Olympic Games in Beijing all contribute to bolster the real estate market in the People's Republic of China ("PRC"). The Group will continue to explore strategic PRC partners to promote and expand the metal scaffolds and climbing scaffolds in the Northern and Southern parts of PRC.

In respect of gondolas business, the Group will not only utilise the gondola in construction projects but also extend further to the area of repair and maintenance of the numerous existing old buildings in Hong Kong.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st January, 2002, the interests of the Directors in the Shares as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Number of Shares of the Company

Name	Personal interests	Family interests	Corporate interests	Percentage of voting power
Mr. So Yu Shing, Francis	242,215,000	–	–	53.826%
Ms. Lai Yuen Mei, Rebecca	74,225,000	–	–	16.494%
Mr. Woo Siu Lun	19,260,000	–	–	4.28%

DIRECTORS' RIGHT TO SUBSCRIBE FOR EQUITY OR DEBT SECURITIES

None of the Directors or their spouse or children under the age of 18 was granted by the Company or any of its subsidiaries any right to subscribe for equity or debt securities of the Company or any body corporate, or had exercised any such right as at 31st January, 2002.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st January, 2002, the following entities had or deemed to have interest of ten percent or more of the issued share capital of the Company, as recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of voting power
Mr. So Yu Shing, Francis	242,215,000	53.826%
Ms. Lai Yuen Mei, Rebecca	74,225,000	16.494%

Save as disclosed above, as at 31st January, 2002, the Company has not been notified of any other interests representing 10% or more of the entire issued share capital of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

None of the members of the Group had purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31st January, 2002.

ADVANCES TO ENTITIES

According to Rule 17.15, 17.17 and 17.22 of the GEM listing Rules, a disclosure obligation has arisen where the relevant advance to an entity from the Group exceeds 25% of the Group's net tangible assets, trading balances under normal course of business due from the following independent third parties exceeded 25% of the Group's net tangible assets at the reporting date are as follows:

	31st January,		30th April,	
	2002	2002	2001	2001
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Sanfield Building Contractors Limited	18,194	46.0	15,366	120.9
Chun Fai Hip Hing JV Limited	N/A	N/A	3,842	30.2
Shun Shing Construction & Engineering Company Limited	N/A	N/A	3,304	26.0
Hsin Chong Construction Company Limited	N/A	N/A	7,605	59.8
Shui On Building Contractors Limited	N/A	N/A	9,679	76.2

All the above trade and retention money receivables were unsecured, interest free and have terms of settlement in accordance with the relevant tenders or contracts.

SPONSOR'S INTERESTS

Pursuant to a sponsorship agreement dated 29th November, 2001 between the Company and CSC Asia Limited ("CSC Asia"), CSC Asia will be retained as the sponsor of the Company for the purpose of Chapter 6 of the GEM for the period from 7th December, 2001 (being the listing date) to 30th April, 2004.

None of CSC Asia, its directors, employees or associates had any shareholding interest in the securities of the Company or any member of the Group nor have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for the securities of the Company or any member of the Group as at 31st January, 2002.

COMPETING INTERESTS

None of the Directors or the initial management shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competed or might compete with the business of the Group.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee has 2 members, namely Dr. Sritawat Kitipornchai and Mr. Leung Wai Cheung, both 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.

By order of the Board
So Yu Shing, Francis
Chairman

Hong Kong, 14th March, 2002