



**WLS Holdings Limited**

**滙隆控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**First 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.**

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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 three months ended 31 July 2002 amounted to approximately HK\$38,274,000, representing an increase of about 9.8% as compared with the corresponding period in 2001.
- Profit attributable to shareholders was approximately HK\$2,298,000, representing an increase of about 2.8% over the corresponding period in 2001.
- The Directors do not recommend an interim dividend for the three months ended 31 July 2002.

## RESULTS FOR THE THREE MONTHS ENDED 31 JULY 2002

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 ended 31 July 2002 together with the comparative unaudited figures for the corresponding period in 2001 as follows:

		<b>Three months ended 31 July</b>	
		<b>2002</b>	2001
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Turnover	2	<b>38,274</b>	34,860
Cost of sales		<b>(30,474)</b>	(26,911)
Gross profit		<b>7,800</b>	7,949
Other revenue		<b>260</b>	227
Administrative expenses		<b>(4,903)</b>	(4,637)
Profit from operations		<b>3,157</b>	3,539
Finance costs	3	<b>(287)</b>	(636)
Profit before taxation		<b>2,870</b>	2,903
Taxation	4	<b>(597)</b>	(667)
Profits before minority interests		<b>2,273</b>	2,236
Minority interests		<b>25</b>	–
Profit attributable to shareholders		<b>2,298</b>	2,236
Dividend	5	<b>–</b>	–
Earnings per share			
– basic	6	<b>HK0.51 cent</b>	HK0.58 cent

Notes:

## 1. Group reorganisation and basis of preparation

The Company was incorporated in the Cayman Islands on 23 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 became the holding company of the Group on 23 November 2001. This was accomplished by acquiring the entire issued share capital of WLS (BVI) Limited in consideration of and in exchange for the Company’s allotted and issued share capital. Further details of the Reorganisation are set out in the Company’s prospectus dated 30 November 2001. The shares of the Company were listed on GEM of the Stock Exchange on 7 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 Company had been the holding company of the Group throughout the respective financial periods. All significant intra-group transactions, balances and the resulting unrealised profit have been eliminated on consolidation.

The unaudited consolidated results of the Group are prepared in accordance with all applicable Statement of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong. The principal accounting policies adopted in preparing the unaudited consolidated results are consistent with those followed in the Group’s annual financial statements for the year ended 30 April 2002.

## 2. Turnover

Turnover represents long-term contract revenue, gondolas services income and consultancy services income. Each significant category of revenue recognised during the period was as follows:

	<b>Three months ended 31 July</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover		
Contract revenue	<b>37,234</b>	34,860
Gondolas services income	<b>1,008</b>	–
Consultancy services income	<b>32</b>	–
	<b><u>38,274</u></b>	<b><u>34,860</u></b>

### 3. Finance costs

The finance costs comprise:

	<b>Three months ended 31 July</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Bank interest and charges	247	557
Finance lease charges	40	79
	<u>287</u>	<u>636</u>

### 4. Taxation

The taxation charge comprises:

	<b>Three months ended 31 July</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Hong Kong profits tax		
– current	540	598
– deferred	57	69
	<u>597</u>	<u>667</u>

Hong Kong profits tax was provided at the rate of 16% on the three months ended 31 July 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 three months ended 31 July 2002 (2001: Nil).

### 6. Earnings per share

The calculation of the basic earnings per share is based on the unaudited profit attributable to shareholders for the three months ended 31 July 2002 of HK\$2,298,000 (three months ended 31 July 2001: HK\$2,236,000) and the weighted average number of 452,364,000 ordinary shares for the respective period (2001: 385,200,000 shares).

Diluted earnings per share for the three months ended 31 July 2002 is not shown because the exercise price of the Company's outstanding share options was higher than the average market price. Therefore there is no dilutive effect on the earnings per share for the period. The Company had no dilutive potential ordinary shares during the three months ended 31 July 2001.

## 7. Movement of reserves

	<b>Investment property revaluation reserve</b> <i>HK\$'000</i>	<b>Share premium</b> <i>HK\$'000</i>	<b>Merger reserve</b> <i>HK\$'000</i>	<b>Retained profits</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 May 2001	1,773	–	2,222	8,711	12,706
Profit for the period	–	–	–	2,236	2,236
At 31 July 2001	<u>1,773</u>	<u>–</u>	<u>2,222</u>	<u>10,947</u>	<u>14,942</u>
At 1 May 2002	773	14,913	2,222	20,789	38,697
Issue of new shares at premium on acquisition of a subsidiary	–	2,925	–	–	2,925
Profit for the period	–	–	–	2,298	2,298
At 31 July 2002	<u>773</u>	<u>17,838</u>	<u>2,222</u>	<u>23,087</u>	<u>43,920</u>

## BUSINESS REVIEW AND OUTLOOK

For the three months ended 31 July 2002, turnover of the Group amounted to approximately HK\$38,274,000, representing an increase of about 9.8% as compared with that of the corresponding period in 2001. Profit attributable to shareholders for the three months ended 31 July 2002 was approximately HK\$2,298,000 which is equivalent to an increase of about 2.8% over that of the corresponding period in 2001.

In the midst of the current recession and the sluggish pace of recovery of the economy of Hong Kong especially in respect of the construction industry in both the public and private sectors, the Group still secured over 20 local construction projects for the 3 months ended 31 July 2002. In addition, the Group had successfully broadened its client base and continued its efforts to increase its market share in the scaffolding industry whilst maintaining its profit margins.

Moreover, the Group diversified into the sector of the provision of scaffolding for repairs and renovation works. In July 2002, the Group was awarded a contract of substantial amount for the provision of scaffolding for renovation works carried out on 15 blocks of residential buildings in Braemar Hill, Hong Kong.

New rental contracts for the Group's temporary gondolas were obtained, thus ensuring its fleet of gondolas would continue to be utilized during the period under review. Furthermore, contribution to turnover from the provision of gondola services amounted to approximately HK\$1,008,000 for the three months ended 31 July 2002.

In July 2002, a sale and purchase agreement was completed by a wholly-owned subsidiary of the Group to acquire 51% of the entire issued share capital of Sinogain Engineering Limited (“Sinogain”). Sinogain is a specialist engineering company engaged in the supply of permanent gondolas and the servicing and maintenance of such equipment after installation. In view of Sinogain’s established customer base and its close business relationship with gondola manufacturers, the Group and Sinogain will combine their respective strengths through the acquisition with the resultant synergy. The management of the Group foresees that this acquisition will complement the Group’s focused line of business whilst providing a professional and comprehensive range of gondola products and services to its customers with effective technical support.

Continuous efforts were exerted and resources were allocated by the Group to research and development with the aim of designing the Company’s own brands of scaffolding systems. At the same time, the Group intended to improve and patent its own type of metal coupler designed to facilitate the increase of the labour output and the enhancement of its labour efficiency.

In regard to its overseas operations, the Group will actively pursue its joint venture with MKP Holding Sdn Bhd of Malaysia once all the requisite governmental approval for licensing has been obtained. Lastly, the Group will continue its endeavours and marketing efforts to identify and negotiate with appropriate strategic partners in the People’s Republic of China (the “PRC”) on favourable terms to promote and expand the Group’s metal scaffolds, climbing scaffolds and gondola businesses into the northern and southern parts of the PRC.

## **DIRECTORS’ INTERESTS IN SECURITIES**

As at 31 July 2002, the interests of the Directors in the securities of the Company 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:

### **a. Ordinary shares**

<b>Name</b>	<b>Number of shares of the Company</b>			<b>Percentage of voting power</b>
	<b>Personal interests</b>	<b>Family interests</b>	<b>Corporate interests</b>	
Mr. So Yu Shing	242,215,000	–	–	52.94%
Ms. Lai Yuen Mei, Rebecca	74,225,000	–	–	16.22%
Mr. Woo Siu Lun	19,260,000	–	–	4.21%

## **b. Outstanding share options**

In May 2002, 28,300,000 share options were granted to certain directors and employees of the Group to subscribe for ordinary shares of the Company at the subscription price of HK\$0.381 per share under the existing Share Option Scheme. The above-mentioned share options are exercisable from 28 May 2003 to 27 May 2009. The exercise in full of such share option would, under the present capital structure of the Company, result in the issue of 28,300,000 additional shares.

As at 31 July 2002, the details of the grant of share options to the directors of the Company were as follows:

<b>Name</b>	<b>Number of Underlying Shares</b>
Mr. So Yu Shing, chairman	4,500,000
Ms. Lai Yuen Mei, Rebecca, executive director	4,500,000
Mr. Woo Siu Lun, executive director	4,500,000
Mr. Kong Kam Wang, executive director (appointed on 14 June 2002)	4,500,000
Dr. Chan Siu Lai, non-executive director	100,000

## **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 31 July 2002.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS**

As at 31 July 2002, the following entities had or deemed to have interests 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:

<b>Name</b>	<b>Number of shares held</b>	<b>Percentage of voting power</b>
Mr. So Yu Shing	242,215,000	52.94%
Ms. Lai Yuen Mei, Rebecca	74,225,000	16.22%

Save as disclosed above, as at 31 July 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 three months ended 31 July 2002.



## **SPONSOR'S INTERESTS**

Pursuant to a sponsor agreement dated 29 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 7 December 2001 (being the listing date) to 30 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 31 July 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, half yearly and quarterly reports.

By order of the Board  
**So Yu Shing**  
*Chairman*

Hong Kong, 12 September 2002