



WLS Holdings Limited

滙隆控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Third Quarterly Report 2002/2003

* *For identification purposes only*

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

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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.

RESULTS FOR THE NINE MONTHS ENDED 31 JANUARY 2003

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 31 January 2003 together with the comparative unaudited figures for the corresponding periods in 2002 as follows:

	<i>Notes</i>	Three months ended 31 January		Nine months ended 31 January	
		2003 (Unaudited) <i>HK\$'000</i>	2002 (Unaudited) <i>HK\$'000</i>	2003 (Unaudited) <i>HK\$'000</i>	2002 (Unaudited) <i>HK\$'000</i>
Turnover	2	33,691	45,905	107,416	134,688
Cost of sales		<u>(26,445)</u>	<u>(36,430)</u>	<u>(85,495)</u>	<u>(107,674)</u>
Gross profit		7,246	9,475	21,921	27,014
Other revenue		113	817	587	1,325
Administrative expenses		(8,911)	(5,467)	(18,051)	(14,950)
Other operating expenses		<u>–</u>	<u>–</u>	<u>–</u>	<u>(124)</u>
Profit (loss) from operations		(1,552)	4,825	4,457	13,265
Finance costs	3	<u>(298)</u>	<u>(485)</u>	<u>(862)</u>	<u>(1,760)</u>
Profit (loss) before taxation		(1,850)	4,340	3,595	11,505
Taxation	4	<u>1,987</u>	<u>(700)</u>	<u>1,037</u>	<u>(2,125)</u>
Profit before minority interests		137	3,640	4,632	9,380
Minority interests		<u>98</u>	<u>–</u>	<u>211</u>	<u>–</u>
Net profit attributable to shareholders		<u>235</u>	<u>3,640</u>	<u>4,843</u>	<u>9,380</u>
Dividend per share	5	<u>–</u>	<u>–</u>	<u>0.50 cent</u>	<u>–</u>
Earnings per share – basic	6	<u>0.05 cent</u>	<u>0.86 cent</u>	<u>1.06 cents</u>	<u>2.36 cents</u>

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 “Listing Date”).

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 Group’s unaudited consolidated results 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.

These unaudited consolidated results are prepared in accordance with all applicable Statements of Standard Accounting Practice (“SSAP”) issued by the Hong Kong Society of Accountants and the GEM Listing Rules as well as the accounting principles generally accepted in Hong Kong. The accounting policies adopted in the preparation of the unaudited consolidated results are consistent with those used in the annual financial statements for the year ended 30 April 2002, except for the adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 34	:	Employee benefits

The adoption of these new and revised SSAPs has no material effect on the Group’s results.

2. Turnover

Turnover represents long-term contract revenue, gondolas services income and consultancy services income. Significant categories of revenue recognised during the period are as follows:

	Three months ended 31 January		Nine months ended 31 January	
	2003 (Unaudited) <i>HK\$'000</i>	2002 (Unaudited) <i>HK\$'000</i>	2003 (Unaudited) <i>HK\$'000</i>	2002 (Unaudited) <i>HK\$'000</i>
Turnover				
Contract revenue	32,660	45,905	104,599	134,688
Gondolas services incomes	1,031	–	2,785	–
Consultancy services incomes	–	–	32	–
	<u>33,691</u>	<u>45,905</u>	<u>107,416</u>	<u>134,688</u>

3. Finance costs

The finance costs comprise:

	Three months ended 31 January		Nine months ended 31 January	
	2003 (Unaudited) <i>HK\$'000</i>	2002 (Unaudited) <i>HK\$'000</i>	2003 (Unaudited) <i>HK\$'000</i>	2002 (Unaudited) <i>HK\$'000</i>
Bank interest and charges	239	430	667	1,524
Finance lease charges	59	55	195	236
	<u>298</u>	<u>485</u>	<u>862</u>	<u>1,760</u>

4. Taxation

The taxation charge (credit) comprises:

	Three months ended 31 January		Nine months ended 31 January	
	2003	2002	2003	2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax				
– provision in current period	–	891	550	2,077
– overprovision in previous quarters	(290)	–	–	–
– overprovision in previous years	(2,067)	–	(2,067)	–
– deferred	370	(191)	480	48
	<u>370</u>	<u>(191)</u>	<u>480</u>	<u>48</u>
	<u>(1,987)</u>	<u>700</u>	<u>(1,037)</u>	<u>2,125</u>

Hong Kong profits tax was provided at the rate of 16% on the three months and the nine months ended 31 January 2003 (2002: 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 January 2003 (2002: Nil). For the nine months ended 31 January 2003, the Board has declared an interim dividend of HK0.5 cent per share for the six months ended 31 October 2002 (six months ended 31 October 2001: Nil) and the interim dividend was paid in January 2003.

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 31 January 2003 of HK\$235,000 and HK\$4,843,000 respectively (three months and nine months ended 31 January 2002: HK\$3,640,000 and HK\$9,380,000 respectively) and the weighted average number of 457,500,000 shares and 455,788,043 shares in respective periods (three months and nine months ended 31 January 2002: 423,939,130 shares and 398,113,043 shares respectively).

Diluted earnings per share for the three months and nine months ended 31 January 2003 are 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 respective periods. The Company had no dilutive potential ordinary shares outstanding during the three months and nine months ended 31 January 2003 (2002: Nil for respective periods).

7. Movements in reserves

For the nine months ended 31 January 2003, movements in reserves are as follows:

	Investment Property Revaluation Reserve	Share Premium	Merger reserve	Retained Profits	Proposed interim dividend	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)						
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	–	–	–	4,843	–	4,843
2003 interim dividend proposed	–	–	–	(2,288)	2,288	–
2003 interim dividend paid	–	–	–	–	(2,288)	(2,288)
	<u>773</u>	<u>17,838</u>	<u>2,222</u>	<u>23,344</u>	<u>–</u>	<u>44,177</u>
(Unaudited)						
At 1 May 2001	1,773	–	2,222	8,711	–	12,706
Revaluation deficit on investment property	(1,000)	–	–	–	–	(1,000)
Issue of shares less expenses on listing	–	13,953	–	–	–	13,953
Profit for the period	–	–	–	9,380	–	9,380
	<u>773</u>	<u>13,953</u>	<u>2,222</u>	<u>18,091</u>	<u>–</u>	<u>35,039</u>

8. Contingent liabilities

As at 31 January 2003, the Group had the following contingent liabilities:

- (a) 42 employees of the Group have completed the required number of years of service under the Employment Ordinance Chapter 57 of the Laws of Hong Kong (the “Ordinance”) to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments where the termination meets the required circumstances specified in the Ordinance. If the termination of all these employees met the circumstances required by the Ordinance, the Group’s liability at 31 January 2003 would be approximately HK\$1,828,000 (as at 30 April 2002: HK\$1,104,000). No provision has been made for this amount as at 31 January 2003.
- (b) A wholly-owned subsidiary of the Company, Wui Loong Scaffolding Works Company Limited, was subject of a legal action brought by another scaffolding company to revoke a short term patent No. HK1024379 and to have the entry of the patent in the Register of Patents be expunged. As the directors are of the opinion that the above legal action would not have any significant impact on the financial position of the Group, no provision is considered necessary by the directors at the report date.
- (c) Outstanding surety and performance bonds with indemnities provided by the Group in respect of subcontracting projects amounted to HK\$835,000 approximately (2002: Nil).

Save as disclosed above, the Group did not have any material contingent liabilities at 31 January 2003.

BUSINESS REVIEW AND OUTLOOK

For the nine months ended 31 January 2003, turnover of the Group amounted to approximately HK\$107,416,000, representing a decrease of about 20% as compared with that of the corresponding period in 2002. Profit attributable to shareholders for the nine months ended 31 January 2003 was approximately HK\$4,843,000 which is equivalent to a decrease of about 48% from that of the corresponding period in 2002.

During the period under review, the Group had increased its market share in the local scaffolding industry and the number of contracts on hand had also risen. Nevertheless, due to the persistent depression of the housing market and the local construction industry, the Group experienced substantial pressure to adjust its bidding price downwards in order to secure the works contracts. These current economic conditions together with the prevalent keen competition faced by the Group accounted for the decrease in turnover.

The marketing efforts of the sales team bore fruit and the resulting increase in the number of scaffolding works contracts for renovation obtained during the current period brought encouraging news. The number of contracts for renovation awarded for the nine months up to 31 January 2003 amounted to 9. In addition, a new business unit was set up to promote the supply and installation of suspended ceilings and associated products.

In January 2003, our Macau branch office was officially opened concurrently with the Group's participation in the Macau Construction Expo 2003. Feedback and enquiries from this exhibition were extremely positive. Subsequently, two scaffolding works contracts were secured in Macau. These two projects employ our Metal-Bamboo Matrix System Scaffolds and will serve as job references as well as promotional products for the Group's penetration of the Macau market in anticipation of the upcoming large-scale infrastructure development projects in Macau.

In China, the Group continued to actively seek suitable alliance with reputable Chinese enterprises with an aim to setting up joint ventures to capitalise on the burgeoning market in the People's Republic of China.

The Research and Development ("R & D") programme of our Group proceeded according to schedule and it is forecast that the successful development of a number of new patents will materialise and will be submitted for registration in 2003. At the same time, our R & D Department has been heavily involved in the development of ingenious scaffolding raw material technology which could reap substantial rewards for the Group.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 January 2003, 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

Name	Number of shares of the Company			Percentage of voting power
	Personal interests	Family interests	Corporate interests	
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 options would, under the present capital structure of the Company, result in the issue of 28,300,000 additional shares.

As at 31 January 2003, the details of the grant of share options to the directors of the Company were as follows:

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

DIRECTORS' RIGHT TO SUBSCRIBE FOR EQUITY OR DEBT SECURITIES

Save as disclosed above, 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 January 2003.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 January 2003, 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:

	Number of Name shares held	Percentage of voting power
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 January 2003, 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 31 January 2003.

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 Listing Rules 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 January 2003.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

In the opinion of the Directors, the Company has complied with Rule 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures during the nine months ended 31 January 2003.

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. Yeung Po Chin, 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, 14 March 2003