



**WLS Holdings Limited**  
**滙隆控股有限公司\***

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

**First Quarterly Report 2003/2004**

\* *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.*

## RESULTS FOR THE THREE MONTHS ENDED 31 JULY 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 ended 31 July 2003 together with the comparative unaudited figures for the corresponding periods in 2002 as follows:

		<b>Three months ended 31 July</b>	
		<b>2003</b>	2002
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Turnover	2	<b>34,584</b>	38,274
Cost of sales		<b>(27,575)</b>	(30,474)
Gross profit		<b>7,009</b>	7,800
Other revenue		<b>73</b>	260
Administrative expenses		<b>(5,613)</b>	(4,903)
Profit from operations		<b>1,469</b>	3,157
Finance costs		<b>(368)</b>	(287)
Profit before taxation		<b>1,101</b>	2,870
Taxation	3	<b>(552)</b>	(597)
Profits before minority interests		<b>549</b>	2,273
Minority interests		<b>52</b>	25
Profit attributable to shareholders		<b>601</b>	2,298
Dividend	4	–	–
Earnings per share			
– basic	5	<b>HK0.13 cent</b>	HK0.51 cent

Notes:

## 1. Basis of preparation

The unaudited consolidated results of the Group are prepared in accordance with all applicable Statements of Standard Accounting Practice (“SSAP”) issued by the Hong Kong Society of Accountants and the 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 Annual Report 2003 of the Company. For the current period, the Group has newly adopted SSAP12 (Revised) “Income Taxes” and the new adoption has not had any material effect for the current or prior periods.

## 2. Turnover

Turnover represents revenue from contracts for providing scaffolding and suspended ceiling installation for the construction and building works, gondolas service income and consultancy service income.

	<b>Three months ended 31 July</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Contract revenue in respect of construction and building works for the provision of		
– scaffolding service	<b>33,412</b>	37,234
– suspended ceiling installation	<b>736</b>	–
Gondolas service income	<b>436</b>	1,008
Consultancy service income	–	32
	<hr/>	<hr/>
	<b>34,584</b>	<b>38,274</b>
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### 3. Taxation

The taxation charge comprises:

	<b>Three months ended 31 July</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong Profits Tax		
– current	<b>190</b>	540
– deferred	<b>362</b>	57
	<hr/>	<hr/>
	<b>552</b>	597
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Hong Kong profits tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit.

### 4. Dividend

The Directors do not recommend the payment of an interim dividend for the three months ended 31 July 2003 (2002: Nil).

### 5. 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 2003 of HK\$601,000 (three months ended 31 July 2002: HK\$2,298,000) and the weighted average number of 457,500,000 ordinary shares for the respective period (2002: 452,364,000 shares).

No diluted earnings per share has been presented for the three months ended 31 July 2003 and 2002 because the exercising price of the Company's outstanding share options was higher than the average market prices in the respective periods.

## 6. Movement of reserves

	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 May 2002	14,913	2,222	773	20,242	38,150
Share issued at premium	2,550	–	–	–	2,550
Net profit for the period	–	–	–	2,298	2,298
	<u>17,463</u>	<u>2,222</u>	<u>773</u>	<u>22,540</u>	<u>42,998</u>
At 31 July 2002	<u>17,463</u>	<u>2,222</u>	<u>773</u>	<u>22,540</u>	<u>42,998</u>
At 1 May 2003	17,463	2,222	573	22,109	42,367
Net profit for the period	–	–	–	601	601
	<u>17,463</u>	<u>2,222</u>	<u>573</u>	<u>22,710</u>	<u>42,968</u>
At 31 July 2003	<u>17,463</u>	<u>2,222</u>	<u>573</u>	<u>22,710</u>	<u>42,968</u>

## 7. Connected Transaction

Wui Loong System Scaffolds Company Limited, a wholly owned subsidiary of the Company, entered into a rental agreement with Wui Loong International Enterprises Limited, a company jointly owned and controlled by Mr. So Yu Shing and Ms. Lai Yuen Mei, Rebecca, executive directors of the Company, for the rental of aluminium formwork applied in the construction projects with an annual rental of HK\$132,600 during the current period. This transaction, constituting a connected transaction, is exempted from reporting, announcement and independent shareholders' approval requirements under Rule 20.25(3) of the GEM Listing Rules as the total annual consideration of the transaction is less than HK\$1,000,000.

The directors (including the independent non-executive directors) are of the view that the rental agreement has been entered into and carried out in the ordinary course of business of the Company and has been entered into on normal commercial terms and the transaction is fair and reasonable to the Company and its shareholders taken as a whole.

## **BUSINESS REVIEW AND OUTLOOK**

For the three months ended 31 July 2003, turnover of the Group amounted to approximately HK\$34,584,000, representing a decrease of about 9.6% as compared with that of the corresponding period in 2002. Profit attributable to shareholders for the three months ended 31 July 2003 was approximately HK\$601,000, which is equivalent to a decrease of about 73.8% from that of the corresponding period in 2002.

As the Hong Kong Special Administrative Region was delisted as a SARS-affected area by the World Health Organization and all travel restrictions were lifted in May 2003, the local economy experienced a rebound, as led by the tourist industry and the retail sector, spreading gradually to the real estate market with the “feel-good factor” affecting the entire economy including the construction industry.

The Group’s continued efforts to diversify into providing scaffolding for the repair and renovation sector brought about the award of three additional contracts in this sector for the three months ended 31 July 2003. Furthermore, the Group participated in the Hong Kong Disneyland Project in being awarded a works contract, signifying the successful pioneering of the Group into the large-scale development projects in the Hong Kong Special Administrative Region.

During the period under review, both the temporary and permanent gondola units of the Gondola Division achieved significantly positive business results. The temporary gondola business unit was awarded a total of 7 works contracts for the three months ended 31 July 2003. During the same period, the permanent gondola business unit, operating under Sinogain Engineering Limited which is a subsidiary of the Company, successfully secured a total of 3 contracts for the supply and installation of permanent gondolas with the related equipment accessories.

In regard to the business development in the suspended ceiling installation, the Group, operating through Wui Luen Engineering Company Limited which is a subsidiary of the Company, was awarded 4 new contracts for the supply and installation of suspended ceilings to the main contractors in Hong Kong.

In respect of the International Business Division, the Group has successfully been granted a licence to operate in the city of Shanghai in the People’s Republic of China in May 2003. At the same time, business progress in the Special Administrative Region of Macau brings nothing short of encouraging prospects. In addition to the two scaffolding works contracts progressing according to plan in Macau, another large-scale project was awarded to the Group in the

erection and dismantling of scaffolding for the development of a casino hotel building. The successful securing of scaffolding works contracts in Macau will undoubtedly consolidate its position in the Macau scaffolding industry with the accompanying enhancement of the image of the Group as a prominent market leader.

The recent gradual improvement in the market sentiment of the local economy, notably in the retail, travel, tourism, finance and real estate sectors, together with the current reflationary policy of the United States of America are positive factors contributing to a probable upturn in the construction industry in Hong Kong in the near future. The market recognition of the Group as a knowledge-based company constantly introducing innovative products to the construction industry with due credit from its emphasis on research and development and the company policy of diversification, helps to ensure that the business performance of the Group from its operations stands in good stead to experience a rebound in the forthcoming quarters of the current financial year.

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

As at 31 July 2003, the interests and short positions of the Directors and the chief executive 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 5.40 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

##### **Long positions in shares**

<b>Name of director</b>	<b>Number of ordinary shares held</b>	
	<b>Personal interest</b>	<b>Family interest</b>
Mr. So Yu Shing	242,215,000	74,225,000
Ms. Lai Yuen Mei, Rebecca	74,225,000	242,215,000
Mr. Woo Siu Lun	19,260,000	–
Mr Kong Kam Wang	–	700,000



## Long positions in underlying shares

Details of movements in respect of the Company's share options granted to certain executive directors were as follows:

Name of director	Date granted	Exercisable period (Both dates inclusive)	Exercising price HK\$	Outstanding at 1/5/2003	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31/7/2003
Mr. So Yu Shing	21/5/2002	28/5/2003 to 27/5/2009	0.381	4,500,000	-	-	-	4,500,000
Ms. Lai Yuen Mei, Rebecca	21/5/2002	28/5/2003 to 27/5/2009	0.381	4,500,000	-	-	-	4,500,000
Mr. Woo Siu Lun	21/5/2002	28/5/2003 to 27/5/2009	0.381	4,500,000	-	-	-	4,500,000
Mr. Kong Kam Wang	21/5/2002	28/5/2003 to 27/5/2009	0.381	4,500,000	-	-	-	4,500,000
Dr. Chan Siu Lai	21/5/2002	28/5/2003 to 27/5/2009	0.381	100,000	-	-	-	100,000
				<u>18,100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,100,000</u>

No options were granted during the period.

Save as disclosed above, as at 31 July 2003, none of the Directors or their associates as well as 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 pursuant to Rule 5.40 of 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 July 2003, 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**

<b>Name of substantial shareholders</b>	<b>Number of ordinary shares held</b>
Mr. So Yu Shing	242,215,000
Ms. Lai Yuen Mei, Rebecca	74,225,000

Save as disclosed above, as at 31 July 2003, the Company has not been notified of any other person (other than a Director or the chief executive 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.

## **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 2003.

## **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 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 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 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, and half yearly and quarterly reports.

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

Hong Kong, 11 September 2003