



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

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

**First Quarterly Report 2004/2005**

\* *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.*

## RESULTS FOR THE THREE MONTHS ENDED 31 JULY 2004

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 2004 together with the comparative unaudited figures for the corresponding period in 2003 as follows:

		<b>Three months ended 31 July</b>	
		<b>2004</b>	2003
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Turnover	2	<b>42,004</b>	34,584
Cost of sales		<b>(36,348)</b>	(27,575)
Gross profit		<b>5,656</b>	7,009
Other revenue		<b>148</b>	73
Administrative expenses		<b>(5,339)</b>	(5,613)
Profit from operations		<b>465</b>	1,469
Finance costs		<b>(542)</b>	(368)
Share of results of associates		<b>(11)</b>	–
(Loss) profit before taxation		<b>(88)</b>	1,101
Taxation	3	–	(552)
(Loss) profit before minority interests		<b>(88)</b>	549
Minority interests		<b>296</b>	52
Profit attributable to shareholders		<b>208</b>	601
Dividend	4	–	–
Earnings per share			
– basic	5	<b>HK0.05 cent</b>	HK0.13 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 Institute of Certified Public Accountants, the accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance as well as the GEM Listing Rules. The principal accounting policies adopted in preparing the unaudited consolidated results are consistent with those followed in the Annual Report 2004 of the Company.

### 2. Turnover

Turnover represents revenue from contracts for providing scaffolding and fitting out service, management contracting service for the construction and building works and gondolas service income.

	<b>Three months ended 31 July</b>	
	<b>2004</b>	<b>2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Contract revenue in respect of construction and building works for the provision of		
– scaffolding and fitting out service	<b>21,999</b>	34,148
– management contracting service	<b>19,486</b>	–
Gondolas service income	<b>519</b>	436
	<b>42,004</b>	<b>34,584</b>

### 3. Taxation

The taxation charge comprises:

	<b>Three months ended 31 July</b>	
	<b>2004</b>	<b>2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong Profits Tax		
– current	–	190
– deferred	–	362
	–	<b>552</b>

No provision for Hong Kong Profits Tax has been made as the Group does not have any assessable profit arising in Hong Kong for the three months ended 31 July 2004 (2003: Hong Kong Profits Tax was provided at 17.5% on the estimated assessable profit).

In other jurisdiction, no provision for taxation has been made because there is no assessable profit arising in other jurisdiction for the three months ended 31 July 2004 and 2003.

#### 4. Dividend

The Directors do not recommend the payment of an interim dividend for the three months ended 31 July 2004 (2003: 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 2004 of HK\$208,000 (three months ended 31 July 2003: HK\$601,000) and the weighted average number of 457,500,000 ordinary shares for the respective period (2003: 457,500,000 shares).

No diluted earnings per share has been presented for the three months ended 31 July 2004 and 2003 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

For the three months ended 31 July 2004, the movement of reserves is shown as follows:

	<b>Share premium</b> <i>HK\$ '000</i>	<b>Merger reserve</b> <i>HK\$ '000</i>	<b>Investment property revaluation reserve</b> <i>HK\$ '000</i>	<b>Retained profits</b> <i>HK\$ '000</i>	<b>Total</b> <i>HK\$ '000</i>
At 1 May 2003	17,463	2,222	573	22,109	42,367
Net profit for the period	—	—	—	601	601
At 31 July 2003	<u>17,463</u>	<u>2,222</u>	<u>573</u>	<u>22,710</u>	<u>42,968</u>
At 1 May 2004	17,463	2,222	1,073	13,158	33,916
Net profit for the period	—	—	—	208	208
At 31 July 2004	<u>17,463</u>	<u>2,222</u>	<u>1,073</u>	<u>13,366</u>	<u>34,124</u>

## **BUSINESS REVIEW AND OUTLOOK**

For the three months ended 31 July 2004, turnover of the Group amounted to approximately HK\$42,004,000, representing an increase of about 21% as compared with that of the corresponding period in 2003. Profit attributable to shareholders for the three months ended 31 July 2004 was approximately HK\$208,000, which is equivalent to a decrease of about 65% from that of the corresponding period in 2003.

As Hong Kong gradually climbed out of recession, the extension of the second phase of the Closer Economic Partnership Arrangement (CEPA) and the individual travel scheme targeting mainland tourists all contributed to the quick recovery in the local retail and travel industries. Besides, the local property market remained buoyant following the rebound of property prices from their lows during mid-2003 when the whole economy was affected by the outbreak of the Severe Acute Respiratory Syndrome (the “SARS”). These brought about an increased number of construction projects which presented vastly improved opportunities and explained the increase in turnover of the Group and the turn-around in its operating results.

The Group’s continued strategy of diversification achieved substantial success in that the number of new scaffolding works contracts awarded for the provision of steel scaffolds increased substantially during the three months ended 31 July 2004. In fact, a more balanced portfolio of works projects in scaffolding was achieved in the three categories of bamboo scaffolding, metal scaffolding and metal-bamboo matrix system scaffolding currently undertaken by the Group.

The participation of the Group in the two packaged deals comprising the provision of construction related services and works in the Hong Kong Disneyland Project continued to provide a source of constant stable revenue to the Group.

During the period under review, the Group’s fleet of temporary gondolas continued to enjoy close to full utilization for the most part of the period. During the three-month period ended 31 July 2004, the permanent gondola business unit, operating under Sinogain Engineering Limited (“Sinogain”), which is 70% owned by the Company, successfully secured 2 contracts for the supply of permanent gondolas to main contractors in Hong Kong. In addition, Sinogain had received invitation to tender for the supply and installation of permanent gondolas for the Stonecutters Bridge Project which, if successfully secured, will contribute substantially to the business results and goodwill of the Group. Furthermore, the current parapet railings projects proceeded according to plan and presented considerable business potential to the Group.

In regard to the operating results of the suspended ceiling business division, a total of four new contracts were awarded for the supply and installation of suspended ceilings and one contract for the provision of alteration and fitting-out works was secured and such sub-contracting works have commenced and are currently in progress.

During the period under review, the International Division continued to generate encouraging results. The existing scaffolding works projects in Macau progressed according to plan. The Group achieved considerable success in brand building of the WLS range of products in Macau by the successful completion of the projects employing Metal-Bamboo Matrix System Scaffolding in the Las Vegas Sands Macau and La Oceania adjacent to the Lotus Square. Moreover, the securing of scaffolding works project in Hoi Ming Koi established good business relationship with a major main contractor with several large-scale construction projects on hand to undertake in the next two years. As a matter of fact, such successful project reference and track record will undoubtedly enhance the Group's goodwill and facilitate the poising of the Group to participate in the future large-scale construction projects in Macau.

In respect of the research and development division, the third generation of metal scaffolding was improved and first batch of product was manufactured for testing and further development. In an effort to foster stronger links with academic institutions in areas of research for innovative products to be promoted to the market, a feasibility study was conducted on a joint-venture basis with the City University of Hong Kong on the viability of magneto-hydrodynamic technology. The recent research results in this area are very positive and the Group is optimistic of the success of launching this new technology and the related product to the market.

In conclusion, the economy of Hong Kong is now gradually recovering from recession and is entering the stage of steady growth. As Hong Kong is strategically located to take full advantage of the prosperity and vast market potential in Mainland China, the construction industry will eventually recover and the Group will benefit in the various construction products and services it offers to the market. By streamlining its operations and continuous vigilance on cost-control whilst adopting and maintaining the business strategy of diversification and emphasis on innovation and research, the management is confident that the operating results of the Group will experience a turn-around and continue in the upward trend in the ensuing quarters.

## ADVANCES TO ENTITIES

According to rules 17.15 and 17.17 of the GEM Listing Rules on the GEM of the Stock Exchange, a disclosure obligation arises where the relevant advance to an entity from the Company and its subsidiaries exceeds 8% of the Company's total market capitalization.

As at 31 July 2004, there were 457,500,000 shares of the Company in issue. Based on the average closing price of the Company's shares of HK\$0.05 per share as stated in the Stock Exchange's daily quotation sheets for the trading days from 26 July 2004 to 30 July 2004 (both days inclusive), being the five business days immediately preceding 31 July 2004, the total market capitalisation of the Company was approximately HK\$23 million as at 31 July 2004.

As at 31 July 2004, the following trade receivable for the provision of management contracting services from a customer of the Group (the "Trade Receivable") exceeded 8% of the Company's total market capitalisation as at 31 July 2004:

	<b>HK\$</b>	<b>% of Total Market Capitalisation</b>
Hongkong International Theme Parks Limited	10,634,027	46%

The above customer and its ultimate beneficial owners were independent of and not connected with the Company, the Directors, chief executive, management shareholders or substantial shareholders of the Company, its subsidiaries or their respective associates (as defined in the GEM Listing Rules), as at 31 July 2004.

The Trade Receivable was resulted from service charges to the customer by the Group in its ordinary course of business and on normal commercial terms. It is unsecured and interest free, and has normal terms of settlement. Payment from Hongkong International Theme Parks Limited is based on work progress and is settled within 42 days from the date of submission of payment application. As at the date of this report, the Trade Receivable has not yet been settled.



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

As at 31 July 2004, 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 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### **Long positions in shares**

Shares

<b>Name of director</b>	<b>Number of ordinary shares held</b>		<b>Percentage of the issued share capital of the Company</b>
	<b>Personal interest</b>	<b>Family interest</b>	
Mr. So Yu Shing	242,215,000	74,225,000	69.0%
Ms. Lai Yuen Mei, Rebecca	74,225,000	242,215,000	69.0%
Mr. Woo Siu Lun	19,260,000	–	4.2%
Mr. Kong Kam Wang	–	700,000	0.2%

Ms. Lai Yuen Mei, Rebecca is the wife of Mr. So Yu Shing.

## 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 1.5.2004	Granted during the period	Cancelled during the period	Outstanding at 31.7.2004
Mr. So Yu Shing	21 May 2002	28 May 2003 to 27 May 2009	0.381	4,500,000	–	–	4,500,000
	5 February 2004	12 February 2004 to 11 February 2011	0.094	4,500,000	–	–	4,500,000
Ms. Lai Yuen Mei, Rebecca	21 May 2002	28 May 2003 to 27 May 2009	0.381	4,500,000	–	–	4,500,000
	5 February 2004	12 February 2004 to 11 February 2011	0.094	4,500,000	–	–	4,500,000
Mr. Woo Siu Lun	21 May 2002	28 May 2003 to 27 May 2009	0.381	4,500,000	–	–	4,500,000
	5 February 2004	12 February 2004 to 11 February 2011	0.094	100,000	–	–	100,000
Mr. Kong Kam Wang	21 May 2002	28 May 2003 to 27 May 2009	0.381	4,500,000	–	–	4,500,000
	5 February 2004	12 February 2004 to 11 February 2011	0.094	300,000	–	–	300,000
Mr. Lau Wan Pui, Joseph ( <i>note</i> )	5 February 2004	12 February 2004 to 11 February 2011	0.094	2,000,000	–	(2,000,000)	–
				<u>29,400,000</u>	<u>–</u>	<u>(2,000,000)</u>	<u>27,400,000</u>

Note: the director resigned during the period.

No options were granted during the period.

Save as disclosed above, as at 31 July 2004, 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 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 July 2004, 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 2004, 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.

## **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 three months ended 31 July 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

During the period under review, the Company has complied with the corporate governance matters as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

## **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 Dr. Sritawat Kitipornchai, Mr. Yeung Po Chin and Mr. Lam Kwok Wing, 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 three months ended 31 July 2004 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 Mr. So Yu Shing (Chairman and executive Director), Ms. Lai Yuen Mei Rebecca (executive Director), Mr. Ip Ping Hong Antony (executive Director), Mr. Woo Siu Lun (executive Director), Mr. Kong Kam Wang (executive Director), Dr. Sritawat Kitipornchai (independent non-executive Director), Mr. Yeung Po Chin (independent non-executive Director), Mr. Lam Kwok Wing (independent non-executive Director) and Mr. Hui Tung Wah (non-executive Director).

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

Hong Kong, 13 September 2004