



WLS Holdings Limited

滙隆控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

First Quarterly Report 2005/2006

* *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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The Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 founded on bases and assumptions that are fair and reasonable.

RESULTS FOR THE THREE MONTHS ENDED 31 JULY 2005

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 2005 together with the comparative unaudited figures for the corresponding period in 2004 as follows:

		Three months ended 31 July	
		2005	2004
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
			(restated)
Turnover	3	37,387	41,933
Cost of sales		(30,446)	(36,134)
Gross profit		6,941	5,799
Other operating income		72	115
Administrative expenses		(5,424)	(5,273)
Profit from operations		1,589	641
Finance costs		(430)	(542)
Share of results of associates		–	(11)
Share of results of jointly controlled entities		53	–
Profit before taxation		1,212	88
Taxation	4	(80)	–
Net profit for the period		1,132	88
Dividend per share	5	–	–
Net profit (loss) attributable to:			
Equity holders of the Group		1,012	(208)
Minority interests		120	296
		1,132	88
Earnings per share			
– basic	6	HK0.25 cent	HK0.02 cent

Notes:

1. Basis of preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the GEM Rules) and with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting*.

2. Principal accounting policies

The condensed financial statements have been prepared on the historical cost basis as modified for the revaluation of land and buildings and investment property and in accordance with accounting principles generally accepted in Hong Kong.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 April 2005 except as described below.

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. As mentioned in the Annual Report 2005, the Group has already adopted HKAS 40 "Investment Property" for its financial year ended 30 April 2005 even before its adoption is made mandatory. Accordingly, the amount held in investment property revaluation reserve at 1 May 2005 has been transferred to the Group's retained earnings. Comparative figures have been restated.

Following the adoption of HKAS 40, changes in fair value of investment properties are included in the income statement. The effect of the change in accounting policy is adjusted in accordance with the transitional provision of HKAS 40 by transferring HK\$1,073,000 from the investment property revaluation reserve to the opening retained profits as at 1 May 2004.

In addition, deferred tax was provided on the basis that the carrying amount of investment property would be recovered through sale in prior years. Following the adoption of HKAS 40, deferred tax is provided on the basis that the carrying amounts of investment properties will be recovered through use, and additional deferred tax of HK\$500,000 was charged to the retained profits as at 1 May 2004.

For the period ended 31 July 2005, the Group has adopted the following HKFRSs:

Business Combinations

In the current period, the Group has applied HKFRS 3, *Business Combinations*, which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions prior to 1 January 2001 was held in reserves, and goodwill arising on acquisitions after 1 January 2001 was capitalised and amortised over its estimated useful life. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 January 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of the change in accounting policy, no amortisation of goodwill has been charged in the current period. The effect of this change resulted in a decrease in amortisation of goodwill amounting to HK\$108,000 for the three months ended 31 July 2005 and comparative figures for 2004 have not been restated.

Share-based Payments

In the current period, the Group has applied HKFRS 2 *Share-based Payment*. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted after 7 November 2002 and had vested before 1 January 2005. Following the adoption of this accounting policy, the retained profit for each of the two years as at 1 May 2005 and 2004 has been decreased by HK\$615,000 and HK\$140,000 respectively. The loss attributable to the equity holders of the parent has been decreased by HK\$120,000 for the three months period ended 31 July 2004 and HK\$475,000 for the year ended 30 April 2004. The adjustment of the said HK\$615,000 will be reflected in the prior year comparative figure.

Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 *Leases*. Under HKAS 17, the leasehold interests in land are classified to prepaid lease payment considered separately for the purposes of lease classification under operating leases which are carried at cost and amortised over the lease term on a straight-line

basis, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. This change in accounting policy has been applied retrospectively.

Interests in Jointly Controlled Entities

In previous periods, interests in jointly controlled entities were accounted for using the equity method. HKAS 31 allows entities to use either proportionate consolidation or the equity method to account for its interests in jointly controlled entities. Upon the application of HKAS 31, the Group has elected to continue to account for its interests in jointly controlled entities using equity method.

3. Turnover

Turnover represents revenue from contracts for providing scaffolding, fitting out service, management contracting service for the construction and building works, access equipment, parapet railings and maintenance services.

	Three months ended 31 July	
	2005	2004
	HK\$'000	HK\$'000
		(restated)
Contract revenue:		
– scaffolding	26,558	18,204
– fitting out service	7,045	3,795
– management contracting service	3,044	19,486
– access equipment, parapet railings and maintenance services	740	448
	37,387	41,933
	<u>37,387</u>	<u>41,933</u>

4. Taxation

The taxation charge comprises:

	Three months ended 31 July	
	2005	2004
	HK\$'000	HK\$'000
Hong Kong Profits Tax		
– current	80	–
– deferred	–	–
	80	–
	<u>80</u>	<u>–</u>

Hong Kong Profits Tax is calculated at 17.5% of the assessable profit for the three months ended 31 July 2005.

In other jurisdiction, no provision for taxation has been made as the Group had no assessable profit during the three months ended 31 July 2005.

5. Dividend

The Directors do not recommend the payment of an interim dividend for the three months ended 31 July 2005 (three months period ended 31 July 2004: 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 ended 31 July 2005 of HK\$1,132,000 (unaudited net profit attributable to shareholders for the three months ended 31 July 2004: HK\$88,000) and the weighted average number of 457,500,000 ordinary shares for the period (three-month period ended 31 July 2004: 457,500,000 shares).

The calculation of the basic earnings per share is based on the following data:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (restated)
Earnings for the period	<u>1,132</u>	<u>88</u>
Number of ordinary shares for the purpose of basic earnings per share	<u>457,500,000</u>	<u>457,500,000</u>

The adjustment to comparative basic earnings per share, arising from the changes in accounting policy is as follows:

	<i>HK cents</i>
Reconciliation of 2004 loss per share:	
Reported figure before adjustment	0.05
Adjustments arising from the changes in accounting policy (<i>note 2</i>)	<u>(0.03)</u>
Restated	<u><u>0.02</u></u>

No diluted earnings per share for the three months ended 31 July 2005 had been presented because the exercise price of the Company's outstanding share options was higher than the average market prices of the share during the period. No diluted earnings per share has been presented in prior periods as the Company had no dilutive potential shares during the prior periods.

7. Share premium and reserves

	Attributable to equity holders of the Group								
	Share premium	Merger reserve	Investment properties		Share options reserve	Retained profits	Total	Minority interests	Total
			revaluation reserve						
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	
At 1 May 2005	17,463	2,222	–	–	19,811	39,496	(523)	38,973	
Effects of changes in accounting policies									
– share-based payment	–	–	–	615	(615)	–	–	–	
As restated	17,463	2,222	–	615	19,196	39,496	(523)	38,973	
Profit for the period	–	–	–	–	1,012	1,012	120	1,132	
At 31 July 2005	<u>17,463</u>	<u>2,222</u>	<u>–</u>	<u>615</u>	<u>20,208</u>	<u>40,508</u>	<u>(403)</u>	<u>40,105</u>	
At 1 May 2004 as previously reported	17,463	2,222	1,073	–	13,158	33,916	(565)	33,351	
Effects of changes in accounting policies									
– share-based payment	–	–	–	140	(140)	–	–	–	
– investment property	–	–	(1,073)	–	573	(500)	–	(500)	
As restated	17,463	2,222	–	140	13,591	33,416	(565)	32,851	
Recognition of equity settled share-based payment	–	–	–	120	–	120	–	120	
(Loss) profit for the period	–	–	–	–	(208)	(208)	296	88	
At 31 July 2004	<u>17,463</u>	<u>2,222</u>	<u>–</u>	<u>260</u>	<u>13,383</u>	<u>33,328</u>	<u>(269)</u>	<u>33,059</u>	

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

For the three months ended 31 July 2005, the turnover of the Group amounted to approximately HK\$37,387,000, representing a decrease of about 11% as compared with that of the corresponding period in 2004. Net profit attributable to shareholders for the three months ended 31 July 2005 was approximately HK\$1,132,000 as compared with approximately HK\$88,000 during the corresponding period in 2004.

During the period under review, the impetus for recovery in the scaffolding division continued as the Hong Kong economy experienced a considerable boom in the retail sector and the real estate sector. Consumer confidence had regained and was boosted by the continued upsurge in retail figures aided by the influx of tourists from Mainland China. Besides, there was an increase in the number of new construction sites thus resulting in an increased number of tenders available for the scaffolding division to submit. The Group was awarded 12 new contracts for the provision of scaffolding services including 1 new scaffolding contract for renovation of building.

In regard to the development of new products promoted to the market by the Group, a new works contract for the provision of climbing scaffold to Airport Express Kowloon Station (Phase 6) was successfully secured and work has commenced with favorable feedback from the main contractor. Furthermore, a new works contract for the provision of H-Frame scaffolding was awarded by a renowned main contractor for the site at Sky Plaza in Chek Lap Kok Airport. The management of the Group is of the view that there is a huge market potential for the metal H-Frame scaffold and the Group is committed to expending additional marketing resources to promote this new product to the construction industry.

In respect of the operating results of the fitting-out business division, a total of two new contracts were awarded during the period under review. These two new contracts comprised of one for the fitting-out works of the swimming pool areas of the Four Seasons Hotel in Airport Express Central Station and one for the fitting-out works in the renovation of New Town Plaza Skylight section in Shatin.

During the period under review, the participation of the Group in the Hong Kong Disneyland Project had been successfully completed. The involvement of the Group in rendering service to massive theme park projects such as the Hong Kong Disneyland will undoubtedly enhance the image and goodwill of the Group. In addition, the Group's reputation as a specialist in providing Glass Reinforced Cement/Glass Reinforced Plastic (GRC/GRP) themed cladding services would considerably enhance the opportunity to be awarded similar works contracts in other theme park projects. During the three months ended 31 July 2005, the Group was awarded two works contracts of substantial value in the provision of GRC/GRP themed cladding services to the Noah's Ark in Island Park, Ma Wan and to the Ngau Tam Mei residential development in Yuen Long.

With regard to the international division, its sales and marketing efforts continued to be focused in Macau. As the tourist and entertainment industry flourished in Macau with the resulting vast increase in construction activities, the Group successfully secured a new works contract for the provision of scaffolding services to the Park Hyatt Hotel in Macau. The management of the Group is of the view that the current boom in the Macau economy will continue to present abundant market opportunities to the Group.

In respect of the access equipment division, the contract for the design, supply, installation and maintenance of access equipment for the Stonecutters Bridge proceeded according to plan. The duration of the project would last for more than two years thus ensuring a constant stream of revenue to the Group. Regarding the Group's fleet of temporary gondolas, they enjoyed a satisfactory percentage of utilisation during the period under review.

At present, the Hong Kong economy is on the track of a forceful rebound. In line with the current bullish market sentiment, the Group has received an increased number of invitations to tender for various new works contracts in all of its different lines of business. At the same time, the Group has gained considerable goodwill and experience in its participation in the large-scale theme park projects and will utilize such advantageous position to establish itself as a specialist in the provision of GRC/GRP themed cladding services as well as other management contracting services to similar theme park projects.

In conclusion, the current positive economic climate, coupled with the vast increase in construction activities in Macau, will provide a favourable business environment and present ample market opportunities for the Group to continue on its track of recovery and profitability.

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

As at 31 July 2005, 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

Name of director	Number of ordinary shares held		Percentage of the issued share capital of the Company
	Personal interest	Family interest	
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 <i>HK\$</i>	Outstanding at 1.5.2005 and 31.7.2005
Mr. So Yu Shing	21 May 2002	28 May 2003 to 27 May 2009	0.381	4,500,000
	5 February 2004	12 February 2005 to 11 February 2011	0.094	4,500,000
Ms. Lai Yuen Mei, Rebecca	21 May 2002	28 May 2003 to 27 May 2009	0.381	4,500,000
	5 February 2004	12 February 2005 to 11 February 2011	0.094	4,500,000
Mr. Woo Siu Lun	21 May 2002	28 May 2003 to 27 May 2009	0.381	4,500,000
	5 February 2004	12 February 2005 to 11 February 2011	0.094	100,000
Mr. Kong Kam Wang	21 May 2002	28 May 2003 to 27 May 2009	0.381	4,500,000
	5 February 2004	12 February 2005 to 11 February 2011	0.094	300,000
				27,400,000

No options were granted during the period.

Save as disclosed above, as at 31 July 2005, 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 2005, 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

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

Save as disclosed above, as at 31 July 2005, 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 2005, 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 announcement, 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 2005