



**WLS Holdings Limited**

**滙隆控股有限公司\***

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

**(Stock Code: 8021)**

**Third Quarterly Report 2007/2008**

\* *For identification purpose 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 found on bases and assumptions that are fair and reasonable.*

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 and the nine months ended 31 January 2008 together with the comparative unaudited figures for the corresponding periods in 2007 as follows:

### Consolidated Income Statement

For the three months and nine months ended 31 January 2008

	Notes	Three months ended 31 January		Nine months ended 31 January	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Revenue	3	49,541	60,746	138,846	164,430
Cost of sales		(42,798)	(53,770)	(116,682)	(142,700)
Gross profit		6,743	6,976	22,164	21,730
Other operating income		150	86	497	501
Administrative expenses		(5,464)	(5,462)	(15,829)	(16,159)
Finance costs		(1,026)	(1,199)	(3,532)	(3,241)
Share of results of associates		–	–	–	(7)
Share of results of jointly controlled entities		60	–	197	303
Profit before taxation		463	401	3,497	3,127
Taxation	4	287	376	368	257
Profit for the period		750	777	3,865	3,384
Attributable to:					
Equity holders of the Company		935	784	4,683	3,461
Minority interests		(185)	(7)	(818)	(77)
		750	777	3,865	3,384
Dividend	5	–	–	–	–
Earnings per share – basic	6	HK0.16 cent	HK0.17 cent	HK0.83 cent	HK0.75 cent

## 1. Basis of preparation

The unaudited consolidated financial results have been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

## 2. Principal accounting policies

The unaudited consolidated financial results have been prepared on the historical cost basis except for certain properties which are measured at fair values.

The accounting policies and method of computation used in the preparation of condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 April 2007, except as described below.

During the period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA that are effective for annual periods beginning on or after 1 June 2006.

HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions

The application of the new HKFRSs has had no material effect on results and financial positions for the current and prior accounting periods.

The group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The Company is still not in the position to estimate the impact that may arise from the application of these new standards and interpretations.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 12	Service Concession Arrangements <sup>2</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2008

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008

The preparation of consolidated financial results in conformity with Hong Kong Financial Reporting Standards issued by HKICPA requires the use of certain critical estimates. It also requires directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement, assumptions and estimates are significant to the consolidated financial results. These consolidated financial results should be read in conjunction with the 2007 annual financial statements.

### 3. Revenue

	Three months ended 31 January		Nine months ended 31 January	
	2008 (Unaudited) <i>HK\$'000</i>	2007 (Unaudited) <i>HK\$'000</i>	2008 (Unaudited) <i>HK\$'000</i>	2007 (Unaudited) <i>HK\$'000</i>
Contract revenue in respect of construction and building works for the provision of				
– scaffolding service	<b>28,516</b>	20,341	<b>68,224</b>	63,284
– fitting out service	<b>6,972</b>	12,957	<b>24,512</b>	38,471
Management contracting service	<b>12,941</b>	23,601	<b>43,471</b>	53,140
Gondolas, access equipment, parapet railing installation and maintenance services	<b>1,112</b>	3,847	<b>2,639</b>	9,535
	<b>49,541</b>	60,746	<b>138,846</b>	164,430

### 4. Taxation

The taxation credit (charge) comprises:

	Three months ended 31 January		Nine months ended 31 January	
	2008 (Unaudited) <i>HK\$'000</i>	2007 (Unaudited) <i>HK\$'000</i>	2008 (Unaudited) <i>HK\$'000</i>	2007 (Unaudited) <i>HK\$'000</i>
Hong Kong Profits Tax				
– current period	<b>(14)</b>	1,081	<b>1,297</b>	1,849
Other jurisdiction				
– current period	<b>301</b>	(705)	<b>(929)</b>	(1,592)
	<b>287</b>	376	<b>368</b>	257

Hong Kong Profits Tax was provided at the rate of 17.5% for the 9 months ended 31 January 2008 and 31 January 2007 on the estimated assessable profit arising in or derived from Hong Kong.

Taxation arising from other jurisdiction is calculated at the rate in the relevant jurisdiction.

## **5. Dividend**

On 3 October 2007, a cash dividend of HK0.5 cent per share, totalling HK\$1,354,351 and a scrip dividend of 3,269,955 ordinary shares was paid and despatched to shareholders as the final dividend for the year ended 30 April 2007 pursuant to the scrip dividend scheme of the Company.

The Board does not recommend the payment of an interim dividend for the nine months ended 31 January 2008 (nine months ended 31 January 2007: Nil).

## **6. Earnings per share**

The calculation of the basic earnings per share is based on the unaudited net profit attributable to equity holders of the Group for the three months and nine months ended 31 January 2008 amounting to HK\$935,000 and HK\$4,683,000 respectively (unaudited net profit attributable to equity holders of the Group for the three months and nine months ended 31 January 2007 amounting to HK\$784,000 and HK\$3,461,000 respectively) and the weighted average number of 582,274,155 ordinary shares and 561,381,826 ordinary shares for the respective period (three months and nine months ended 31 January 2007: 463,644,200 shares and 460,149,130 shares respectively).

No diluted earnings per share has been presented for both periods because the average exercise price of the Company's outstanding share options is higher than the average market prices of the share in both periods.

## 7. Movement of reserves

	Attributable to equity holders of the Company						
	Share premium	Merger reserve	Revaluation reserve	Retained profits	Total	Minority interests	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>	<i>HK\$ '000</i>
At 1 May 2006 (audited)	17,463	2,222	–	20,056	39,741	(203)	39,538
Profit for the period	–	–	–	3,461	3,461	(77)	3,384
Issue of shares under scrip dividend scheme for 2005/06 final dividend	1,261	–	–	(1,322)	(61)	–	(61)
2005/06 final dividend paid	–	–	–	(508)	(508)	–	(508)
At 31 January 2007 (unaudited)	<u>18,724</u>	<u>2,222</u>	<u>–</u>	<u>21,687</u>	<u>42,633</u>	<u>(280)</u>	<u>42,353</u>
At 1 May 2007 (audited)	20,639	2,222	1,206	24,872	48,939	(487)	48,452
Profit for the period	–	–	–	4,683	4,683	(818)	3,865
Issue of shares under scrip dividend scheme for 2006/07 final dividend	1,445	–	–	(1,478)	(33)	–	(33)
2006/07 final dividend paid	–	–	–	(1,354)	(1,354)	–	(1,354)
Placing of shares	16,376	–	–	–	16,376	–	16,376
Exercise of share options	4,638	–	–	–	4,638	–	4,638
At 31 January 2008 (unaudited)	<u>43,098</u>	<u>2,222</u>	<u>1,206</u>	<u>26,723</u>	<u>73,249</u>	<u>(1,305)</u>	<u>71,944</u>

### Note:

The merger reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company in exchange for the nominal value for the issued share capital of the subsidiaries acquired pursuant to the Group's reorganisation on 23 November 2001.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review and outlook

For the nine months ended 31 January 2008, the turnover of the Group amounted to approximately HK\$138,846,000, representing a decrease of about 15% as compared with that of the corresponding period in 2007. Net profit attributable to shareholders for the nine months ended 31 January 2008 was approximately HK\$4,683,000, which is equivalent to an increase of about 35% from that of the corresponding period in 2007.

During the period under review, the business operations of the scaffolding division experienced an improvement resulting from the increase in construction activities in the local construction industry. For the nine months ended 31 January 2008, the scaffolding division secured 19 works contracts for the provision of scaffolding for new construction sites and for renovation works to be carried out in residential towers, large shopping arcades and hotel buildings. During the period under review, the climbing scaffolding works in Airport Express Kowloon Station (Phase 6) were completed to the satisfaction of the main contractor. This excellent feedback from the Group's major customer further reinforced the foresight of the management of the Group in developing and marketing the climbing scaffold as this product could provide substantial market opportunities to the Group.

In respect of the operating results of the fitting out business division, a total of five new contracts were awarded during the period under review. Amongst the new works contracts, the significant one included the provision of fitting out services to the shopping arcade in East Point City in Tseung Kwun O and the refurbishment of the clubhouse and main lobby of the residential tower at 17 MacDonnell Road, Mid-Levels. The successful diversification of the Group into the fitting out market and the goodwill and excellent references acquired contributed to the Group in becoming one of the prominent players in the local fitting out industry. Furthermore, the revenue from the fitting out division constitutes a stream of stable income to the Group.

With regard to the access equipment division, the contract for the design, supply, installation and maintenance of access equipment for the Stonecutters Bridge proceeded according to plan. During the period under review, two new contracts of significant value were awarded for the provision of access equipment to the Venetian in Macau and a works contract for the design, supply and installation of access equipment for a landmark commercial building complex in the Chaoyang district of Beijing, the People's Republic of China ("PRC") was secured. This signifies an important step in the Group's expansion of business operations to the PRC. The Group's successful development and penetration of the construction market in the PRC by the



provision of an assortment of products and services will definitely promote the Group's image as a provider of sophisticated access equipment products to reap the benefits and business opportunities following the expected vast development in infrastructure, real estate development and booming tourist industry in Beijing in 2007 and 2008 up to the hosting of the Olympic Games in Beijing in the summer of 2008. As for the Group's fleet of temporary gondolas, they enjoyed an improved percentage of utilization resulting from the increase in demand for temporary gondolas due to seasonal factors during the period under review.

Regarding the GRC (Glass Reinforced Cement) and theme park division, on-going projects proceeded according to schedule. Contracts for the supply of GRC animal sculptures in Noah's Ark Theme Park and for the GRC covered walkway in Ma Wan Park were approaching the final stage. Works contracts for the supply and installation of GRC services to the external façade of the Venetian in Macau were completed and received favourable feedback from the client. Moreover, the supply of signages and GRP (Glass Reinforced Plastic) artifacts and sculptures to a number of theme parks in India continued to contribute a stream of revenue to the Group.

In respect of the international division, considerable marketing efforts were exerted for the development of overseas construction markets to complement our already flourishing business operations in Macau. During the period under review, apart from the above-mentioned securing of access equipment supply works contract in Beijing, PRC, three significant memoranda of understanding were entered into by the Group with several large foreign corporations with a view to developing the Group's international business operations. Amongst the memoranda of understanding entered into, the most prominent one comprised of a memorandum of understanding with MKP Capital Berhad in relation to the intention to cooperate with respect to the formation of an equity joint venture for the purposes of expanding the business in building construction, infrastructure, property development, natural resource exploration and other related industries in the African continent. In addition, another memorandum of understanding was entered into between the Group and Wuchuan Heavy Engineering Company Limited, a prominent enterprise in Wuhan, PRC, in relation to the formation of an equity joint venture to engage in tendering for large-scale building and civil engineering projects overseas. Furthermore, a memorandum of understanding was entered into with Juli Sling Company Limited, a PRC enterprise specialising in heavy engineering products, for the purpose of tendering for participation in overseas civil engineering projects. In the opinion of the management of the Group, the conclusion of such memoranda of understanding with renowned overseas counterparts specialising in specific fields of operations would provide valuable platform and synergy for the Group to develop profitable business in overseas markets.

Concurrently, the management of the Group is committed to vigilant cost control in all operating units. As the economy of Greater China continues to experience considerable boom and the demand for natural resources worldwide continues to show significant growth, the Group is alert to seize the invaluable window of opportunity to leverage on the expertise and financial strength of its overseas partners to further diversify into profitable overseas businesses to enhance shareholders' value by an improvement in business results.

## **Financial Review**

For the 3 months and 9 months ended 31 January 2008, the Group's revenue amounted to approximately HK\$49.5 million and HK\$138.8 million respectively. These represent a decrease of 18% and 15% respectively as compared with the corresponding periods in the last financial year. This decrease in revenue is largely attributable to the substantial completion of the Group's GRC project in the Venetian in Macau.

Gross profit increased slightly from HK\$21.7 million to HK\$22.1 million during the period under review. This resulted mainly from satisfactory profit margins from the projects of our management contracting division and Macau scaffolding division, and the Group's ongoing policy of stringent cost control across all operating units.

Despite our business expansion and diversification, administrative expenses had been reduced from HK\$16.2 million to HK\$15.8 million. It was due to stringent control on overhead costs, rationalization of the utilization of workforce and seasonal fluctuation. However, the keen requirement of working capital for the diversified businesses led to the increase of finance costs from HK\$3.2 million to HK\$3.5 million.

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

As at 31 January 2008, the interests and short positions of the Directors 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	255,000,000	81,600,000	57.81%
Ms. Lai Yuen Mei, Rebecca	81,600,000	255,000,000	57.81%
Mr. Woo Siu Lun	14,700,000	–	2.52%
Mr. Kong Kam Wang	3,300,000	–	0.57%

Ms. Lai Yuen Mei, Rebecca is the spouse 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>HKS</i>	Outstanding at 1.5.2007	Exercised during the period	Granted during the period	Outstanding at 31.01.2008
Mr. So Yu Shing	21 May 2002	28 May 2003 to 27 May 2009	0.381	3,000,000	–	–	3,000,000
	8 October 2007	15 April 2008 to 14 April 2014	0.60	–	–	2,800,000	2,800,000
Ms. Lai Yuen Mei, Rebecca	21 May 2002	28 May 2003 to 27 May 2009	0.381	3,000,000	–	–	3,000,000
	8 October 2007	15 April 2008 to 14 April 2014	0.60	–	–	2,800,000	2,800,000
Mr. Woo Siu Lun	21 May 2002	28 May 2003 to 27 May 2009	0.381	4,500,000	(4,500,000)	–	–
	8 October 2007	15 April 2008 to 14 April 2014	0.60	–	–	5,800,000	5,800,000
Mr. Kong Kam Wang	21 May 2002	28 May 2003 to 27 May 2009	0.381	4,500,000	(3,000,000)	–	1,500,000
	8 October 2007	15 April 2008 to 14 April 2014	0.60	–	–	4,300,000	4,300,000
Mr. Ip Ping Hong, Antony	8 October 2007	15 April 2008 to 14 April 2014	0.60	–	–	1,500,000	1,500,000
				15,000,000	(7,500,000)	17,200,000	24,700,000
				15,000,000	(7,500,000)	17,200,000	24,700,000

Save as disclosed above, as at 31 January 2008, none of the Directors of the Company or their associates 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 January 2008, 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	255,000,000
Ms. Lai Yuen Mei, Rebecca	81,600,000

Save as disclosed above, as at 31 January 2008, the Company has not been notified of any other person (other than a Director 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 nine months ended 31 January 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

During the period, the Company has applied the principles of the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules. A report on the principal corporate governance practices adopted by the Company is set out in 2007 annual report of the Company.

## **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 Mr. Yeung Po Chin, Mr. Lam Kwok Wing and Dr. Fung Ka Shuen, 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 nine months ended 31 January 2008 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), Mr. Ip Ping Hong Antony (Vice Chairman and Executive Director), Mr. Kong Kam Wang (Executive Director and Chief Executive Officer), Ms. Lai Yuen Mei Rebecca (Executive Director), Mr. Woo Siu Lun (Executive Director), Mr. Yeung Po Chin (Independent Non-executive Director), Mr. Lam Kwok Wing (Independent Non-executive Director), Dr. Fung Ka Shuen (Independent Non-executive Director) and Mr. Hui Tung Wah (Non-executive Director).

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

Hong Kong, 10 March 2008