



**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 2009/2010**

\* *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 positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.**

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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.*

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 2010 together with the comparative unaudited figures for the corresponding periods in 2009 as follows:

### Consolidated Income Statement

For the three months and nine months ended 31 January 2010

	Notes	Three months ended 31 January		Nine months ended 31 January	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Revenue	3	40,814	29,561	106,168	104,108
Cost of sales		(34,715)	(24,427)	(90,614)	(83,584)
Gross profit		6,099	5,134	15,554	20,524
Other operating income		441	362	1,535	715
Increase in fair value of investment properties		–	–	1,800	–
Loss on disposal of investment property		–	–	(1,050)	–
Administrative expenses		(5,500)	(3,924)	(14,762)	(14,907)
Finance costs		(892)	(929)	(2,650)	(2,650)
Share of results of jointly controlled entities		–	–	–	(621)
Profit before taxation		148	643	427	3,061
Taxation	4	(40)	(103)	(201)	(500)
Profit for the period		108	540	226	2,561
Attributable to:					
Equity holders of the Company		315	518	814	2,531
Minority interests		(207)	22	(588)	30
		108	540	226	2,561
Dividend	5	–	–	–	–
Earnings per share – basic	6	HK0.04 cent	HK0.07 cent	HK0.10 cent	HK0.34 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 unaudited consolidated financial results are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 April 2009, 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 January 2009.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

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 24 (Revised)	Related Party Disclosures <sup>3</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HK(IFRIC) Int 17	Distribution of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC) Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>2</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

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 2009 annual financial statements.

### 3. Revenue

	Three months ended 31 January		Nine months ended 31 January	
	2010 (Unaudited) <i>HK\$'000</i>	2009 (Unaudited) <i>HK\$'000</i>	2010 (Unaudited) <i>HK\$'000</i>	2009 (Unaudited) <i>HK\$'000</i>
Contract revenue in respect of construction and building works for the provision of				
– scaffolding service	28,436	21,265	75,269	73,972
– fitting out service	9,837	5,626	21,743	10,230
Management contracting service	–	674	–	11,359
Gondolas, access equipment, parapet railing installation and maintenance services	2,541	1,996	9,156	8,547
	<u>40,814</u>	<u>29,561</u>	<u>106,168</u>	<u>104,108</u>

### 4. Taxation

The taxation credit (charge) comprises:

	Three months ended 31 January		Nine months ended 31 January	
	2010 (Unaudited) <i>HK\$'000</i>	2009 (Unaudited) <i>HK\$'000</i>	2010 (Unaudited) <i>HK\$'000</i>	2009 (Unaudited) <i>HK\$'000</i>
Hong Kong Profits Tax				
– current period	(84)	(94)	(649)	(273)
Other jurisdiction – current period	44	(9)	448	(227)
	<u>(40)</u>	<u>(103)</u>	<u>(201)</u>	<u>(500)</u>

Hong Kong Profits Tax was provided at the rate of 16.5% for the 9 months ended 31 January 2010 and 31 January 2009 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**

The Board does not recommend the payment of an interim dividend for the nine months ended 31 January 2010 (nine months ended 31 January 2009: 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 2010 amounting to HK\$315,000 and HK\$814,000 respectively (unaudited net profit attributable to equity holders of the Group for the three months and nine months ended 31 January 2009 amounting to HK\$518,000 and HK\$2,531,000 respectively) and the weighted average number of 810,773,128 ordinary shares and 779,926,751 ordinary shares for the respective period (three months and nine months ended 31 January 2009: 735,342,693 shares and 735,342,693 shares respectively).

No diluted earnings per share has been presented for both periods as the Company had no dilutive potential shares outstanding during both periods.

## 7. Movement of reserves

	Attributable to equity holders of the Company									
	Share premium	Merger reserve	Revaluation reserve	Share Option reserve	Convertible		Retained profits	Total	Minority interests	Total
					equity reserve	loan note reserve				
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	
At 1 May 2008 (audited)	60,935	2,222	1,546	6,836	–	27,771	99,310	(1,411)	97,899	
Profit for the period	–	–	–	–	–	2,531	2,531	30	2,561	
Expenses on open offer of shares	(378)	–	–	–	–	–	(378)	–	(378)	
Expenses on issuance of convertible note	(222)	–	–	–	–	–	(222)	–	(222)	
Share application expenses	(25)	–	–	–	–	–	(25)	–	(25)	
At 31 January 2009 (unaudited)	<u>60,310</u>	<u>2,222</u>	<u>1,546</u>	<u>6,836</u>	<u>–</u>	<u>30,302</u>	<u>101,216</u>	<u>(1,381)</u>	<u>99,835</u>	
At 1 May 2009 (audited)	60,935	2,222	1,446	7,589	143	28,825	101,160	(1,395)	99,765	
Profit for the period	–	–	–	–	–	814	814	(588)	226	
Placing of shares	14,290	–	–	–	–	–	14,290	–	14,290	
Exercise of share options	1,822	–	–	–	–	–	1,822	–	1,822	
Expenses on placing of shares	(772)	–	–	–	–	–	(772)	–	(772)	
At 31 January 2010 (unaudited)	<u>76,275</u>	<u>2,222</u>	<u>1,446</u>	<u>7,589</u>	<u>143</u>	<u>29,639</u>	<u>117,314</u>	<u>(1,983)</u>	<u>115,331</u>	

### Notes:

1. 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.
2. The share option reserve of the Group represents the fair value of share options granted to the directors and employees of the Company at the grant date.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review and outlook

For the nine months ended 31 January 2010, the turnover of the Group amounted to approximately HK106,168,000 representing an increase of about 2% as compared with that of the corresponding period in 2009. Net profit attributable to equity holders for the nine months ended 31 January 2010 was approximately HK\$814,000 which is equivalent to a decrease of about 68% from that of the corresponding period in 2009.

During the period under review, the business operations of the scaffolding division experienced gradual improvement resulting from the considerable increase in construction activities in the local construction industry. For the nine months ended 31 January 2010, the scaffolding division secured 15 new works contracts for the provision of scaffolding for new sites, such as the construction sites in Mass Transit Railway Tuen Mun Station at Tuen Mun Town Lot 447 (Phase 1) and in Nos. 863-865 King's Road, the residential development sites in Choi Wan Road (Phase 2 & 3A) and in Hung Shui Kiu (Site C), Yuen Long, the commercial building site in 18 Wang Chiu Road, Kowloon Bay as well as scaffolding for renovation works to be carried out in the 3 residential towers of Robinson Heights in Robinson Road, Mid-Levels, Hong Kong.

In respect of the operating results of the fitting out business division, 6 new contracts for the supply and installation of suspended ceilings to Lung Tin Village in the New Territories and for fitting out works in Tuen Mun Town Lot 447, the provision of fitting out works at the residential development site of Hill Paramount in Shatin Town Lot 539 and for interior renovation of Union Hospital Extension Phase 3 café in Shatin, the supply and installation of suspended ceilings in Peak One (Site A) Tao Fung Shan as well as the carrying out of fitting out works in 220-222 Tai Kok Tsui Road, were awarded during the period under review. The gradual expansion of the market share of the Group in the fitting out industry sector has further consolidated the client base and enhanced the image and goodwill of the fitting out business division thus boosting the confidence of the clients in the quality and performance of the business division.

In 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 and reached the final testing and commissioning stage. For the temporary gondola section under this business division, the demand for temporary gondolas experienced a slight decline due to seasonal factor during the Christmas and New Year and the Lunar New Year holiday periods. All in all, the Group's fleet of temporary gondolas continued to attain a high level of utilization

during the period under review. The management of the Group predicted a continued boom in the rental market for temporary gondolas and would further expand the gondola fleet for hire and to deploy increased marketing efforts and resources with the aim to increase the Group's market share and maximize its capacity to optimum operational level in the gondola rental market.

In respect of the international division, the current works contract for the supply and installation of access equipment to Parkview Green, a landmark building in Beijing proceeded according to plan and the delivery and handover of access equipment were currently completed. Concurrently, the delivery and installation of access equipment at the Venetian Site (Parcel 2) in Macau were also completed to the satisfaction of the client. Looking forward, the Group would undertake active marketing activities to secure an increased number of new access equipment contracts for developments in both China and other major overseas cities.

In regard to the research and development business division, the Group's application for a new Metal Bamboo Matrix System Scaffolding patent, based on its PRC (People's Republic of China) Patent, was approved and granted by the Macau Intellectual Property Office during the period under review. The grant of this patent further cemented the Group's position as an innovator of the working platform provider market and a market leader in the niche market of scaffolding works subcontractor.

Concurrently, the management of the Group is committed to vigilant cost control in all operating units. As the economy of Greater China continues to thrive and experience considerable boom, whilst being supported by the sizeable rebound in the global economy and coupled with the revived increase in Macau construction activities, the management of the Group is of the opinion that the various business divisions are currently in the right track and are predicted to improve steadily in their operating results on the background of a rebound of the economic cycle in the ensuing reporting periods.

## **Financial Review**

For the 3 months and 9 months ended 31 January 2010, the Group's revenue amounted to approximately HK\$40,814,000 and HK\$106,168,000 respectively. These represent an increase of about 38% and 2% respectively as compared with the corresponding periods in the last financial year. This increase in revenue is largely attributable to the considerable increase in works contracts for the scaffolding and fitting out divisions.

Gross profit decreased from HK\$20,524,000 to HK\$15,554,000 during the period under review. This resulted mainly from the near completion of the Stonecutters Bridge project in the latter part of the period under review whilst new contract orders are still at negotiation stage and not yet finalised. In addition, the Group's ongoing policy of stringent cost control continued in place across all operating units.

Despite our business expansion and diversification, administrative expenses had been reduced from HK\$14,907,000 to HK\$14,762,000. It was due to stringent control on overhead costs and rationalization of the utilization of workforce. Finance costs remained at a stable level of approximately HK\$2,650,000 during both periods.

During the period under review, the successful completion of the placing of 35,000,000 ordinary shares of the Company on 27 November 2009 mainly for working capital purposes reduced the need of bank borrowing thus contributing to the stabilization of finance costs.

Subsequent to the period under review, the placing agreement entered between the Company and President Securities (Hong Kong) Limited (the "Placing Agent") dated 10 November 2009 in relation to the placing of two-year 2% coupon convertible bonds up to an aggregate principal amount of HK\$31,500,000 (the "Convertible Bonds"), which was supplemented by the supplemental agreement dated 30 December 2009, lapsed on 26 February 2010 and the placing of the Convertible Bonds had ceased to proceed. Such information in relation of the lapse of the Convertible Bonds Placing Agreement had already been disclosed in the announcement made by the Company on 26 February 2010.

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

As at 31 January 2010, 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	301,150,000	109,430,000	50.12%
Ms. Lai Yuen Mei, Rebecca	109,430,000	301,150,000	50.12%
Mr. Woo Siu Lun	18,400,000	–	2.25%
Mr. Kong Kam Wang	5,625,000	–	0.6%

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 HK\$	Outstanding at 1.5.2009	Granted during the period	Exercised during the period	Outstanding at 31.01.2010
Mr. So Yu Shing	8 October 2007	15 April 2008 to 14 April 2014	0.60	2,800,000	–	–	2,800,000
	2 May 2008	9 November 2008 to 8 November 2014	0.217	4,400,000	–	(4,400,000)	–
	7 October 2009	14 April 2010 to 13 April 2016	0.17	–	5,000,000	–	5,000,000
Ms. Lai Yuen Mei, Rebecca	8 October 2007	15 April 2008 to 14 April 2014	0.60	2,800,000	–	–	2,800,000
	2 May 2008	9 November 2008 to 8 November 2014	0.217	4,400,000	–	(4,400,000)	–
	7 October 2009	14 April 2010 to 13 April 2016	0.17	–	5,000,000	–	5,000,000
Mr. Woo Siu Lun	8 October 2007	15 April 2008 to 14 April 2014	0.60	5,800,000	–	–	5,800,000
	2 May 2008	9 November 2008 to 8 November 2014	0.217	1,400,000	–	–	1,400,000
Mr. Kong Kam Wang	8 October 2007	15 April 2008 to 14 April 2014	0.60	4,300,000	–	–	4,300,000
	2 May 2008	9 November 2008 to 8 November 2014	0.217	2,900,000	–	–	2,900,000
				28,800,000	10,000,000	(8,800,000)	30,000,000

Save as disclosed above, as at 31 January 2010, none of the Directors or their associates (including 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 January 2010, 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	301,150,000
Ms. Lai Yuen Mei, Rebecca	109,430,000

Save as disclosed above, as at 31 January 2010, 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 2010, 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 2009 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 2010 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 Dr. So Yu Shing (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, 12 March 2010