

滙隆控股有限公司

WLS Holdings Limited

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



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Annual Report 2002

# GEM CHARACTERISTICS



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of The Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by The Stock Exchange. GEM-Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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*This report, for which the directors of WLS Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to WLS Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: i. the information contained in this report is accurate and complete in all material respects and not misleading; ii. there are no other matters the omission of which would make any statement in this report misleading; and iii. 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.*



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# Our Mission

### **“Circle and Square” Concept**

In this intensely competitive world, the winners are those who take the initiative to build a solid foundation before dedicating efforts on self-improvement and improving business efficiencies.

WLS Holdings Limited (‘WLS’ or the ‘Company’), with excellent business acumen, takes a proactive stance on incorporating the ‘Circle and Square’ concept into its corporate mission. The underlying meaning of having a ‘Circle’ encompassing a square symbolises the importance of offering smooth services and flexibility to external parties, and internally, the attention to details.

Cautiousness and striving after perfection are equally important. That is why we shall adhere unwaveringly to our principle of perpetual emphasis and continuous improvement on ‘Safety, Quality and Efficiency’.

WLS practises and preaches the theory of ‘Circle and Square’ by integrating flexibility into every step of its operations as well as abiding by every legal regulation and restriction.

## MAJOR EVENTS IN 2001/2002

**20/6/2002**

Hong Kong Concrete Repair Association (混凝土維修工程協會) Seminar on "Application of MBMSS on External Wall Repair & Maintenance Works"

**Presentation by So Yu Shing**

**11/5/2002**

International Seminar "Bamboo Scaffolds in Building Construction"  
– Jointly organised by Research Centre of Advanced Technology in Structural Engineering, The Hong Kong Polytechnic University and The International Network for Bamboo and Rattan  
Sponsored by Wui Loong Scaffolding Works Co., Ltd

**Presentation by So Yu Shing**

**14/12/2001**

Entered into preliminary agreement with MKP Holdings Sdn Bhd to set up a joint venture named MKP-WLS Sdn Bhd in Malaysia.

**27/6/2002**

SME Market Day - Hong Kong Trade Development Council  
Seminar on "Innovative Industries and Development of Domestic Business"

**Presentation by So Yu Shing**

**18/5/2002**

The Hong Kong Polytechnic University, Management and Executive Development Centre Institute for Enterprise (Enterprise Leadership Programme)

**Presentation by So Yu Shing**

**24/3/2002**

Obtained an exclusive dealership of Altrex access equipment in Shanghai, Beijing and Guangzhou of the People's Republic of China ("PRC")

**7/12/2001**

Listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited.

## Directors

### Executive Directors

Mr. So Yu Shing, Chairman  
Ms. Lai Yuen Mei, Rebecca  
Mr. Woo Siu Lun  
Mr. Kong Kam Wang

### Non-executive Director

Dr. Chan Siu Lai

### Independent Non-executive Directors

Dr. Sritawat Kitipornchai  
Mr. Leung Wai Cheung

## Audit Committee

Dr. Sritawat Kitipornchai  
Mr. Leung Wai Cheung

## Authorised Representatives

Mr. So Yu Shing  
Mr. Woo Siu Lun

## Compliance Officer

Mr. Woo Siu Lun

## Company Secretary

Mr. Woo Siu Lun, ACIS

## Qualified Accountant

Mr. Leung Wai Chuen, CPA, FCCA, AHKSA

## Registered Office

P.O. Box 309  
Ugland House  
South Church Street  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies

## Head Office and Principal Place of Business

Rooms 601- 603 & 605, Southmark  
No.11 Yip Hing Street  
Wong Chuk Hang  
Aberdeen  
Hong Kong

## Company Website

[www.wls.com.hk](http://www.wls.com.hk)

## Auditors

RSM Nelson Wheeler  
Certified Public Accountants  
7th Floor, Allied Kajima Building  
138 Gloucester Road  
Wanchai  
Hong Kong

## Legal Adviser as to Hong Kong Law

Sit, Fung, Kwong & Shum  
Suite 4428, COSCO Tower  
Grand Millennium Plaza  
183 Queen's Road Central  
Hong Kong

## Principal Bankers

Bank of China (Hong Kong) Limited  
The Hong Kong and  
Shanghai Banking Corporation Limited  
Hang Seng Bank Limited

## Principal Share Registrar and Transfer Office

Bank of Butterfield International (Cayman) Limited  
Butterfield House, Fort Street  
George Town, Grand Cayman  
Cayman Islands  
British West Indies

## Hong Kong Branch Share Registrar and Transfer Office

Tengis Limited  
4th Floor, Hutchison House  
10 Harcourt Road  
Central  
Hong Kong

## Stock Code

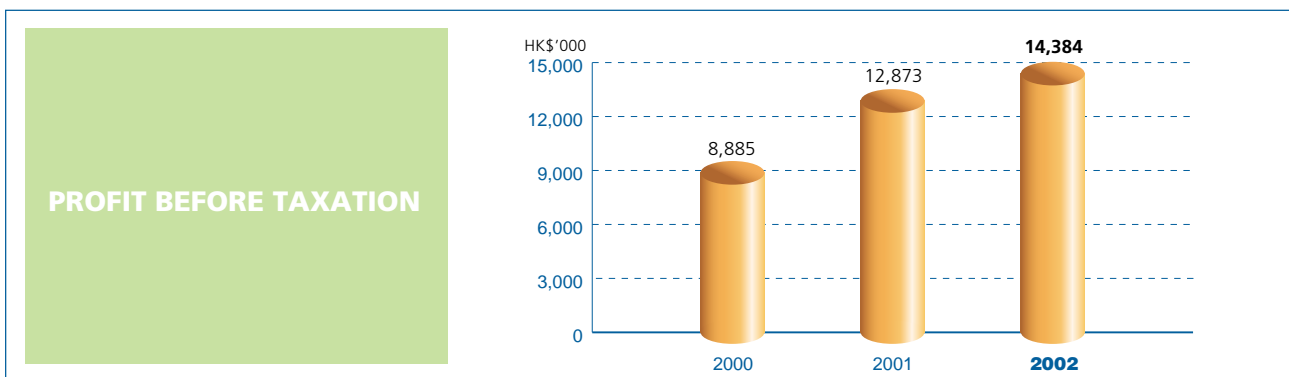
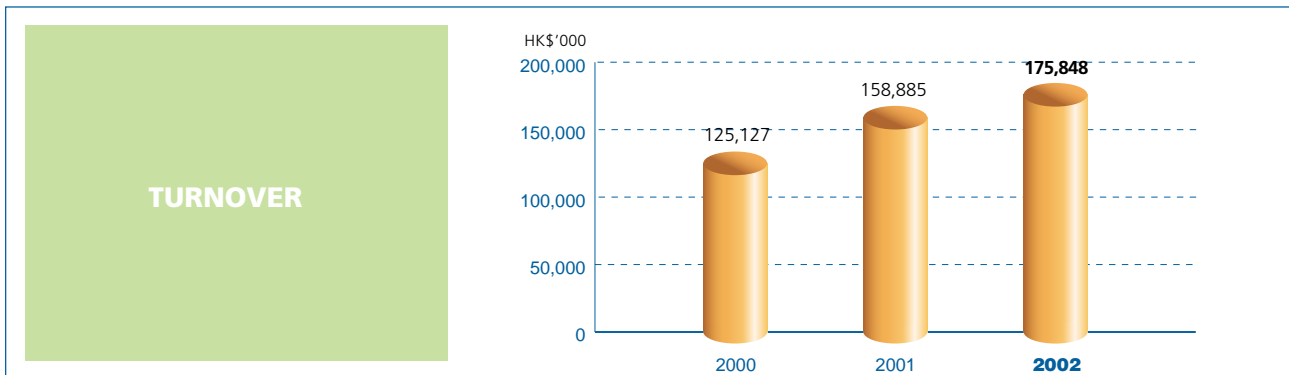
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# FINANCIAL HIGHLIGHTS

	Financial Year Ended 30 April		
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	<b>175,848</b>	158,885	125,127
Profit before taxation	<b>14,384</b>	12,873	8,885
Profit attributable to shareholders	<b>12,078</b>	10,673	7,368
Earnings per share	<b>HK2.94 cents</b>	HK2.77 cents	HK1.91 cents

*Note:*

1. The Company was incorporated in the Cayman Islands on 23 July 2001 and became the holding company of the companies now comprising the Group on 23 November 2001 as a result of the Group Reorganisation as set out in the Company's Prospectus dated 30 November 2001 (the "Prospectus").
2. The results of the Group for the two years ended 30 April 2001 and 2000 have been prepared on a combined basis as if the current Group structure had been in existence throughout the years concerned and have been extracted from the Prospectus.



## CHAIRMAN'S STATEMENT



**Mr. So Yu Shing**  
*Chairman*

It is an honour to present the first annual report of the Company since our successful listing in December 2001. As the first scaffolding company listed on the GEM board, our results for the year ended 30 April 2002 maintained its steady growth, despite such challenging operating environment and global economic slowdown.

During the period under review, turnover increased by 10.7% to approximately HK\$175,848,000, as compared to approximately HK\$158,885,000 in the previous year. Profit attributable to shareholders amounted to HK\$12,078,000 approximately, representing an encouraging increase of 13.2%, as compared to approximately HK\$10,673,000 of last year. Thanks to its commitment and dedication to business development, the Company and its subsidiaries (together the "Group") succeeded in expanding its market share in the local scaffolding industry.

For many, 2001 was a year of downturns and challenges, but for WLS, it was indeed a memorable

and significant year. First of all, our listing on GEM was realised and represented a major milestone for the Group. Second, the Group has received global recognition for its unique scaffolding technology. Not only was the Group granted patent right for our innovative Metal-Bamboo Matrix System Scaffolds ("MBMSS") by the Hong Kong Intellectual Property Department, but it was also granted a U.K. patent by the U.K. Patent Office in July 2001. Moreover, patent applications have also been filed in New Zealand, Singapore and India and are currently in progress. This is a verification of the Group's proprietary, widely applicable and reliable scaffolding technologies.

During the year under review, the Group has completed over 70 building and construction projects, including interior and exterior maintenance and slope repairs with a view to further establishing and expanding its project portfolio. At the same time, the Group has also entered into a preliminary agreement with MKP Holdings Sdn Bhd ("MKP") of Malaysia, a leading and reputable turnkey construction contractor based in Malaysia, to



“

Not only was WLS the **first Hong Kong scaffolding company granted the patent right for our innovative MBMSS** by the Hong Kong Intellectual Property Department, but it was also **granted a U.K. patent** by the UK Patent Office in July 2001.

”



establish a joint venture (the “Joint Venture”) to promote MBMSS and other scaffolding systems in Asia and Africa. The synergistic cooperation between the two will not only promote the MBMSS into the overseas markets but also enable the Group to capitalise on its unique scaffolding technologies and technological expertise to ensure future growth.

Looking ahead, the Group has vast development and expansion plans in mind. It will continue to explore and pursue opportunities in the PRC and Asian markets, and at the same time it will be committed to introducing

its gondola business in the PRC and promoting its patented MBMSS to other high potential Asian markets. Given such strong demand for building and construction works, maintenance and renovation works, coupled with the advantages of flexibility, productivity and efficiency of our scaffolding systems, the Group is confident of its bright and prosperous future ahead.

On behalf of the Board of Directors, I would like to thank all of the staff for their continuous hard work and motivation, the shareholders for their vote of confidence as well as our valuable clients for their ceaseless support. Every contribution is noted and appreciated, and shareholders can rest assured that the Company will continue to abide by our business philosophy of “Safety, Quality and Efficiency” to generate promising returns to the shareholders and bring its business to new horizons.

**So Yu Shing**  
*Chairman*

22 July 2002

## BUSINESS REVIEW

The listing activity, representing a major milestone for the Group, brought forth net proceeds of approximately HK\$19,409,000 for its business expansions and developments. Internally, the Company applied the funding to ensure continuous product enhancement and to improve its research and development efforts to keep abreast of latest market needs and technological developments. Externally, the Company allocated resources for the marketing and promotion of its innovative MBMSS and the system scaffolding business in Hong Kong and other Asian countries to raise its profile and extend its geographical coverage. At the same time, it has also focused on developing its potential gondola business. By enhancing its sales and marketing capabilities, the Company has successfully piloted marketing activities into other markets and received recognition from the expanded customer base.

The Group, renowned for its innovative MBMSS that combines the advantages of both bamboo and metal scaffolding, was granted a standard patent for its MBMSS by the Patents Registry of the Intellectual Property Department of Hong Kong in 2001. The standard patent is effective for a maximum of 20 years from the filing date of the U.K. patent application on which it is based. Moreover, the MBMSS has also received its U.K. patent from the U.K. Patent Office, while other patent applications have already been filed and are currently under progress in other countries, such as the PRC, Europe, New Zealand and India, to name a few.

During the period under review, the Group has completed over 70 buildings and construction projects, including interior and exterior maintenance services as well as slope repair and other related works.

### Project Portfolio

The Belcher's

Les Saisons, Aldrich Bay

Park Central

The Liberte, NKIL6328, Lai Chi Kok

129 Repulse Bay Road

KCRC West Rail C212 & C213

Aegean Coast, TMTL 374, So Kun Wat, Tuen Mun

I.L. 500, Tai Tong Road, Yuen Long

Lok Ma Chau Boundary Crossing Kiosk

Tai Po Complex Building

C3/C4 Cyberport

The Parcville, Tung Tau, Yuen Long

Queen's Street Development, Sheung Wan

22-24 Plunkett Road

Hong Kong Polytechnic University Student Hostel

PSPS Development at Hung Hom Bay Reclamation Area KIL 11076

Tsuen Wan Centre

Tsimshatsui Clock Tower Repair & Maintenance

The Company has also secured 23 projects since 30 April 2002 to expand its already extensive project portfolio, among which

1. The Airport Express Kowloon Station (Phase 3) Project;
2. Yuen Long Town Lot 503, Kai Tei (New Town Square) Project;
3. Farm Road Project and;
4. Braemar Hill Mansions Renovation Projects

are the most notable ones.

Possessing an impressive client base consisting of various multinational and local construction companies, the Company has established long-term and amicable relationships with these customers that contribute to a steady revenue stream and a continuous inflow of projects. Highly regarded for its proven quality and expertise in scaffolding technology, the Company was named "The Best Safety Sub-contractor" by various clients and it was also the first scaffolding company to receive the "ISO9002 International Quality Certificate" in Hong Kong.

As our Research and Development Department has been set up, research has continuously been conducted to design our own brands of frame and tubular scaffolding systems as well as to design our own improved type of metal coupler. In addition, our research and development efforts were also expended with an aim to increasing the efficiency of the output of our labour.

In December 2001, the Company has entered into a preliminary agreement with MKP to establish a joint venture with a budgeted initial investment of about HK\$1.2 million. The two companies will jointly market and promote MBMSS and other scaffolding systems in Asia and Africa. On one hand, the Company will provide the technology and the technical know-how of scaffolds, the technical and safety training to technicians, engineers and safety officers and the licensing of MBMSS to the Joint Venture. MKP, in return, will recruit sole dealers in Malaysia and other Asian countries to engage the Joint Venture to carry out scaffolding works for all construction works as well as obtaining all the necessary consent, permit authorisation, approval and licence from relevant government authorities in Malaysia. Moreover, MKP will recruit personnel, technical, safety officers and establish a marketing team. While partnering with MKP, with its several potential projects that are estimated to be worth over US\$700 million in various countries, the Company will benefit immensely from a stable growth in the Malaysian construction market, and eventually, in other parts of the globe.

The Company also obtained an exclusive dealership of gondolas and access platform equipment from Altrex, a renowned supplier of gondolas in Holland that is well known for the quality of its range of access platform and gondola products. Since our entering into the business of the rental of temporary gondolas, the Group had secured 5 rental contracts up to now. During the period under review, revenue was generated from 3 contracts for the rental of gondolas to the main contractors. Witnessing the increasing demand and reliability of gondolas, the Company will capture all potential opportunities to introduce its gondola business in the PRC. The Group is highly confident of its bright and fruitful future and impressive returns for both shareholders and investors.

## FINANCIAL REVIEW

### Turnover

The turnover of the Group for 2002 was approximately HK\$175,848,000 (2001: HK\$158,885,000), representing an increase of 10.7% compared to that of the previous year. The revenue from scaffolding business accounted for approximately HK\$175,060,000 in 2002 (2001: HK\$158,885,000). One reason for the rise in revenue was the gradual recovery of the property and construction sectors in Hong Kong. Besides, the grant of a standard patent for MBMSS for 20 years in Hong Kong and the Company's successful listing on GEM in December 2001 enhanced considerably its unique position in the scaffolding industry, facilitating its securing of subcontractor contracts on better terms.

### Gross profit

In line with the increase in turnover, the gross profit of the Group increased from about HK\$31,121,000 in 2001 to about HK\$35,078,000 in 2002.

### Operating expenses

The operating expenses were approximately HK\$19,655,000 for 2002 (2001: HK\$15,553,000), representing an increase of 26.4% compared to those of the previous year. This was mainly due to the increase of directors' emoluments from approximately HK\$1,760,000 in 2001 to approximately HK\$4,368,000 in 2002. In addition, the preparation for the listing of the Company and the compliance with the listing requirements after listing required an increase in administrative staff. These contributory factors resulted in an increase of staff salaries.

### Finance costs

The finance costs were reduced from about HK\$3,219,000 in 2001 to about HK\$2,010,000 in 2002 as interest rates had been lowered during the year ended 30 April 2002.

### Liquidity, financial resources and gearing

During the year under review, the Group financed its operations by internally generated cash flow, banking facilities and finance leases provided by banks and finance companies and a portion of the listing net proceeds.

As at 30 April 2002, the Group's consolidated shareholders' funds, current assets and net current assets were about HK\$43,197,000 (2001: HK\$12,710,000), HK\$75,910,000 (2001: HK\$65,600,000) and HK\$22,022,000 (2001: HK\$663,000) respectively. The increases in current assets and net current assets were due to capital raising of about HK\$19,409,000 from the new issue of shares upon the Company's successful listing on GEM in December 2001 together with the increase in cash inflow from operations for the year 2002.

In respect of the Group's current assets, HK\$75,910,000 approximately, as at 30 April 2002, trade receivables (net of provision for doubtful debts) accounted for about 64% whilst pledged deposits, bank balances and cash accounted for about 20%.

As at 30 April 2002, the Group's consolidated bank overdrafts and import loans were about HK\$2,544,000 (2001: HK\$9,373,000) and about HK\$317,000 (2001: HK\$654,000) respectively .

As at 30 April 2002, the Group's long-term borrowings (bank borrowings and obligations under finance leases) totalled approximately HK\$16,253,000 (2001: HK\$16,887,000), of which approximately HK\$7,888,000 mature in 2003 and approximately HK\$3,378,000 are due for repayment in 2004.

As at 30 April 2002, the Group's bank and cash balances, pledged deposits in banks amounted to about HK\$5,298,000 (2001: HK\$140,000) and about HK\$9,719,000 (2001: HK\$4,045,000) respectively.

As at 30 April 2002, the Group's gearing ratio (basis: bank overdraft, import loans and long-term borrowings divided by total assets) was 17.9% (2001: 30%).

Most of the Group's bank and cash balances, pledged deposits, bank debts and obligations under finance leases were denominated in Hong Kong dollars.

The Directors believe that the Group is in a healthy financial position and has sufficient financial resources to discharge its debts and satisfy its commitments and working capital requirements.

### Charges on assets

The details of the Group's assets pledged as securities for banking facilities and finance leases were as follows:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Investment property	<b>4,000</b>	5,000
Leasehold properties	<b>5,874</b>	6,130
Motor vehicles	<b>1,374</b>	2,368
Gondolas	<b>2,391</b>	–
	<b>13,639</b>	13,498

In addition, time deposits of about HK\$9,719,000 were pledged as securities for banking facilities as at 30 April 2002 (2001: HK\$4,045,000).

### Foreign exchange exposure

Most of the assets and liabilities of the Group were denominated in Hong Kong dollars. The Directors consider that the potential exposure to foreign exchange risks of the Group is limited.

### Contingent liabilities

As at 30 April 2002, the Group had the following contingent liabilities:

- (a) 19 employees of the Group have completed the required number of years of service under the Employment Ordinance Chapter 57 of the Laws of Hong Kong (the "Ordinance") to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments where the termination meets the required circumstances specified in the Ordinance. If the termination of all these employees met the circumstances required by the Ordinance, the Group's liability as at 30 April 2002 would be approximately HK\$1,104,000 (2001: HK\$1,197,000). No provision has been made for this amount as at 30 April 2002.
- (b) A wholly-owned subsidiary of the Company, Wui Loong Scaffolding Works Company Limited, was subject to a legal action brought by another scaffolding company to revoke short term patent No.HK1024379 and to have the entry of the patent in the Register of Patents expunged. As the directors are of the opinion that the above legal action would not have any significant impact on the financial position of the Group, no provision is considered necessary by the directors on the balance sheet date.

Save as disclosed above, the Group did not have any material contingent liabilities as at 30 April 2002.

### Employees and remuneration policies

As at 30 April 2002, the total number of full-time employees of the Group was 248 (2001: 200). Employees are remunerated according to their performance and working experience. In addition to basic salaries and participation in the mandatory provident fund scheme, staff benefits include medical scheme and share options.

### Others

Pursuant to the service contracts with the three executive directors of the Company, Mr. So Yu Shing, Ms. Lai Yuen Mei, Rebecca and Mr. Woo Siu Lun dated 29 November 2001, they will be entitled to receive performance bonuses calculated at the rates of 5%, 3% and 2% respectively on the Group's audited consolidated profit (after taxation and minority interests but before extraordinary items and the performance bonuses payable to the three executive directors) if the Group's aforesaid audited consolidated profit exceeds HK\$12,000,000 for the year ended 30 April 2002. Although the Group's audited consolidated profit for the year ended 30 April 2002 reached HK\$12,078,000, the three said executive directors voluntarily agreed to waive their entitlements to the performance bonus irrevocably for the year ended 30 April 2002 in order to preserve more cash flows within the Group to facilitate the Group to accelerate the expansion of its core business and pursuit of its business objectives.

## OUTLOOK

Building on the strength of our reputation in the scaffolding industry and standing as a listed company, we will consolidate our position as a major scaffolding works contractor in Hong Kong providing safe scaffolding of impeccable quality to the main contractors.

At the same time, the management will continue to look for opportunities to expand our business into the overseas markets, such as South-East Asia and Africa. Regarding the PRC market, we had identified Shanghai, Beijing and Guangzhou as our main focus since they have great potential for the expansion of our business capitalising on our patent and technology while there will be abundant infrastructure projects following China's accession to the World Trade Organisation and its hosting of the 2008 Olympic Games in Beijing.

Looking ahead, the Company will continue with its business focus – to explore and develop the PRC and Asian markets and export its technological expertise and MBMSS to major Asian countries, including Malaysia, Korea and the PRC, to name a few. While dedicating much attention to its unique patented technology, the Company will also concentrate on developing its gondola business, which is deemed equally as essential as the scaffolding technology in the building and construction business and maintenance and repair services.

Furthermore, on 13 June 2002, a conditional sale and purchase agreement was entered into by Eternal Champion Limited, a wholly-owned subsidiary of the Company, and Sinowide Resources Limited (“Sinowide”) to acquire from Sinowide 51% of the entire issued share capital of Sinogain Engineering Limited (“Sinogain”). The agreement was subsequently completed on 3 July 2002. Sinogain is a specialist engineering company which is engaged in the sales of permanent gondolas and the servicing and maintenance of such equipment after installation on a contractual basis. As Sinogain has an established customer base and close business relationship with gondola manufacturers, the acquisition of 51% of the entire issued share capital of Sinogain complements the Group's focused line of business and enables the Group to minimise the cost of purchasing gondolas whilst providing customers with an effective technical support.

## USE OF PROCEEDS

The Company has raised gross proceeds of approximately HK\$24,624,000 through placing of the Company's shares upon the listing of the Company on the GEM on 7 December 2001. After deducting the listing expenses, the net proceeds were approximately HK\$19,409,000.

Up to 30 April 2002, the net proceeds from the initial placement had been applied as follows:

	<b>Actual Amount Used up to 30 April 2002</b>
	HK\$ in million
For gondola business	0.66
For system scaffold business (metal scaffold)	0.09
For MBMSS business	0.15
For product enhancement development	0.03
For sales and marketing	0.47
As additional working capital for the Group	5.00
	6.40
	6.40

# COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL PROGRESS



The following is a comparison of the actual business progress to the business objectives as set out in the Company's Prospectus dated 30 November 2001:

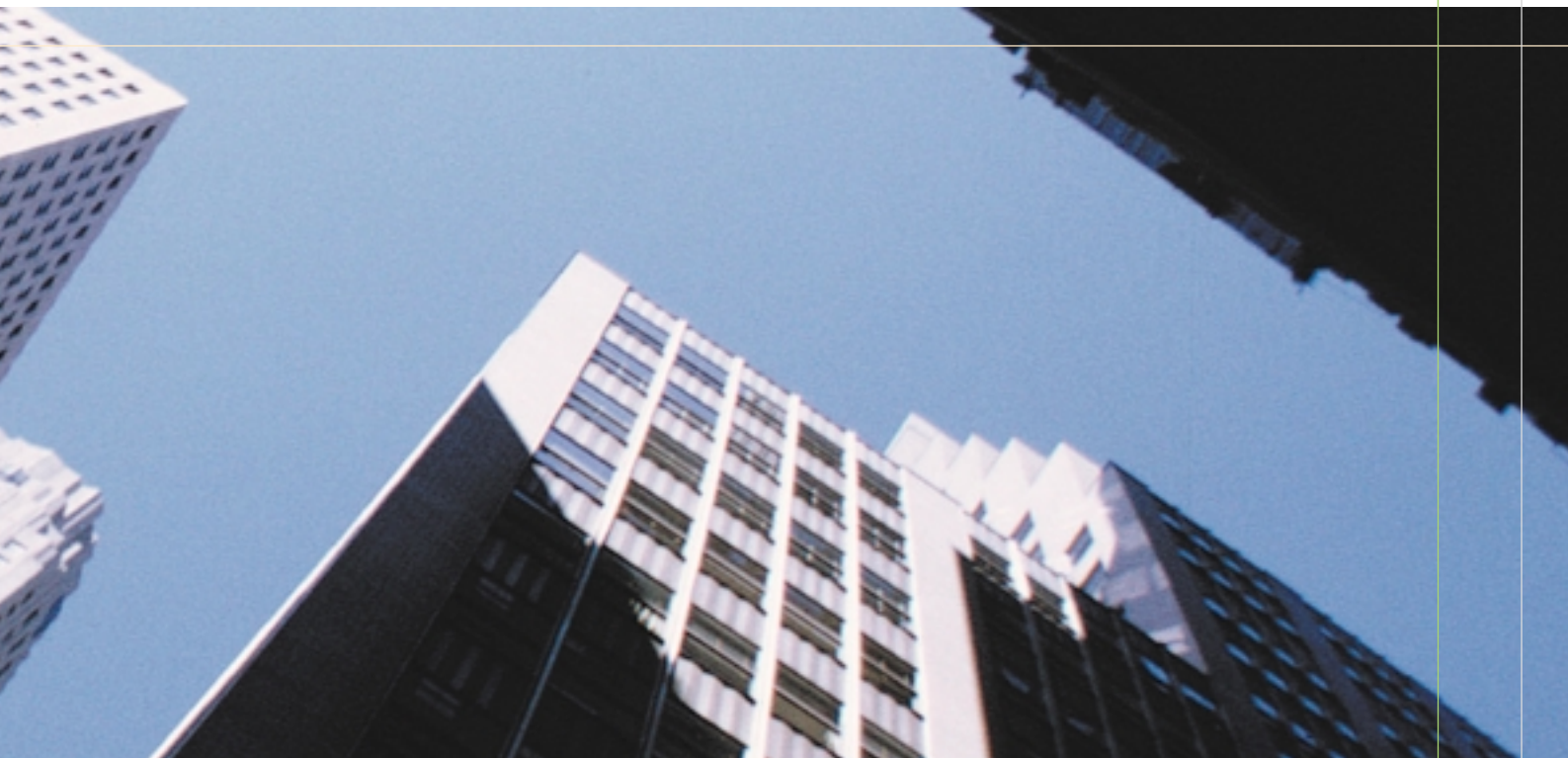
## Business Objectives up to 30 April 2002 as stated in Prospectus

- Setting up factory to manufacture metal scaffold, MBMSS and gondola parts to reduce material costs in the PRC
- Reinforce Research & Development strength
- Application of fibre reinforced plastic tube scaffold
- Cost saving devices to speed up the erection and dismantling processes for enhanced efficiency

## Actual Progress up to 30 April 2002

- 2 manufacturers had been approached in commissioning the production in Guangdong & Wei Hai respectively.  
  
Negotiation was still in process regarding the set up
- A Research & Development Department was set up with the view of inventing and conducting research to improve our scaffolding systems
- Feasibility study on the marketing of and more economical design and application of the system using fibre reinforced plastic tubes in Hong Kong was still in process
- A new type of coupler had already been designed and tested and was in the process of application for international patent





**Business Objectives up to 30 April 2002 as stated in Prospectus**

- Promote the application of bamboo scaffolding in Third World Markets, e.g. North Korea, India & Zambia
- Develop sales and marketing strength
- Increase the number of sales & marketing staff

**Actual Progress up to 30 April 2002**

- Identified MKP Holdings Sdn Bhd of Malaysia with its good network and relations with Third World Countries as potential partner to promote the application of bamboo scaffolding in Third World Markets
- Marketing brochures were produced and sales demonstration equipment were purchased to reinforce marketing strength
- A Marketing Department had been set up and the marketing personnel recruited included a senior executive who was in charge of international marketing

## COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL PROGRESS (continued)

### System Scaffold Business (Metal Scaffold)

#### Business Objectives up to 30 April 2002 as stated in Prospectus:

Expand our market share by:

- Review and examine the weaknesses of existing metal scaffolding systems in use in Hong Kong.
- Review and examine different scaffolding systems in use world-wide by attending seminars, forums, exhibitions, etc.
- Research and develop our own brand of 'flexible and economical' scaffolding system for Hong Kong market
- Organise training for own staff
- Application for patent and trademark
- Marketing and promotion to main contractors in Hong Kong

#### Actual Progress up to 30 April 2002

- Our management staff attended the two-day Symposium by the Hong Kong Polytechnic University on the topic of "Project Management-Impresario of the Construction Industry" in March 2002
- Staff paid overseas factory visits to Holland, South Korea and similar visits were also paid to Nan Hai, Dongguan and Shanghai in PRC to improve design and source appropriate materials for scaffolding components
- Our newly designed brands consist of aluminium alloy frame and low alloy metal tubular scaffolding systems both of which are more flexible and economical than conventional steel tubular scaffolds.
- Company paid for the "Construction Management Training Course" organised by the City University of Hong Kong for 44 staff in Feb-Apr 2002 (Weekly 1-day tuition)
- Application for patent has not been commenced. Trademark of our specially designed frame scaffold was in the process of registration.
- Numerous presentations were made to main contractors by our staff.

## COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL PROGRESS (continued)

### MBMSS

#### Business objectives up to 30 April 2002

- Marketing activities targeting main contractors in Hong Kong, Malaysia and Thailand

- Apply for governmental approval of application of MBMSS in Malaysia and Thailand

- Identify local partners in Malaysia to form joint venture to jointly promote and run the operations with a budgeted initial capital of approximately HK\$1,200,000

#### Actual Progress up to 30 April 2002

- Demonstration and erection of sample MBMSS in Malaysia in February 2002 and excursion to see actual site of potential Malaysian projects in January 2002. Trip to Thailand to contact Bouygues-Thai Ltd., a main contractor in Bangkok, in August 2001. Discussed and evaluated possibility of preparing quotations for projects in Thailand.

- In the process of applying for such governmental approval in Malaysia.

*In Thailand, in view of the existing vast difference in price of scaffold as compared to Hong Kong, our management considered it is not in the interests of the Company to proceed with the application for governmental approval in Thailand as the price of MBMSS there is too low to justify pursuing projects over there.*

- Entered into a preliminary agreement to set up MKP-WLS Sdn Bhd, a joint venture with MKP Holdings Sdn Bhd in Malaysia.

Documentation for the Company's application for registration of MKP-WLS Sdn Bhd in Malaysia had been submitted to the relevant authorities in Malaysia

## COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL PROGRESS (continued)

### Gondola

#### Business objectives up to 30 April 2002

- Sourcing and evaluating various manufacturers of gondolas regarding price and quality

- Purchase gondolas

- Prepare promotional materials

- Organise seminars and demonstrations to major main contractors in Hong Kong

- Provide training to staff to get accustomed to the use and operations of gondolas

#### Actual Progress up to 30 April 2002

- Sourced manufacturers of gondolas in Holland, Belgium, Spain and Switzerland.

Obtained an exclusive dealership of Altrex gondola products in Hong Kong and in Shanghai, Beijing and Guangzhou of PRC.

- 20 sets of gondolas were purchased.

- Marketing brochures were produced and appropriate web-site was set up.

- Demonstrations and presentations were made to the main contractors in Hong Kong.

- 3 staff members paid a visit to Altrex B.V. factory in Holland to attend a training program which included theoretical and practical training on the operation of gondola products: Certificates for all attendees had been obtained.

*9 staff members attended a 2-day Sky Climber Training Course held in Hong Kong in Sept 2001 for receiving instructions on repair and operation demonstrations: Certificates for all attendees had been obtained.*

**Product Enhancement & Development**

**Business objectives up to 30 April 2002**

- Develop at least one new scaffolding system

**Actual Progress up to 30 April 2002**

- A new frame system scaffold was designed and developed using aluminium as the material. Improvement in design and cost reduction calculation was still in process. Feasibility study continued to be carried out.

Application for the patent of our own brand of improved coupler was in progress.

**Sales & Marketing**

**Business objectives up to 30 April 2002**

- Develop sales and marketing department for Hong Kong & South-East Asian markets

**Actual Progress up to 30 April 2002**

- A marketing department was set up and marketing staff were recruited to contact potential customers to give introduction and make presentations with an aim to soliciting more contracts and promoting our various scaffolding systems and products.

Marketing activities in PRC were commenced and carried out by our designated marketing staff in Shanghai. Gondola products were also marketed to main contractors and architects with an aim to securing scaffolding works contracts in respect of infra-structure projects in Beijing.

## DIRECTORS

### Executive Directors

**Mr. So Yu Shing (蘇汝成)**, aged 50, is the chairman of the Group. Mr. So Yu Shing has served in the Labour Department of the Government before joining the Group on 17 September 1991. He holds a bachelor of arts degree from the University of Hong Kong and a master of science degree in engineering business management from the Warwick University of the United Kingdom. He invented MBMSS, from which a short term patent was granted by the Certificate of Grant of Patent by the Patents Registry of the Intellectual Property Department on 25 August 2000 under the Patents Ordinance (Chapter 514 of the Laws of Hong Kong). Mr. So has also acquired the Registered Safety Officer qualification. He is a prospective candidate of a doctorate degree of scaffolding in the building and construction department of the City University of Hong Kong.

**Ms. Lai Yuen Mei, Rebecca (黎婉薇)**, aged 47, is an executive Director of the Company and the spouse of Mr. So Yu Shing. Ms. Lai Yuen Mei, Rebecca has been actively involved in the management of daily operations of the Group for over 10 years before joining the Group on 9 March 1988. She has obtained a diploma in education in Hong Kong in 1974 and was engaged in the teaching profession for over 17 years.

**Mr. Woo Siu Lun (胡兆麟)**, aged 47, is an executive Director of the Company. Mr. Woo has over 25 years of experience in various industries holding senior executive positions. He was a director and senior partner of Euroair Equipments Supplies Limited, a local engineering firm specialising in air-conditioning equipment supply and he has held an executive position in Liu Chong Hing Bank Limited for 12 years before joining the Group on 1 November 1997. Mr. Woo holds a bachelor of social sciences degree from the University of Hong Kong. He is also an associate of the Institute of Chartered Secretaries and Administrators and has been a qualified corporate secretary in Hong Kong for over 13 years.

**Mr. Kong Kam Wang (江錦宏)**, aged 45, is an executive Director of the Company. He has over 20 years of experience in the banking industry and has held senior management positions specialising in corporate banking as well as retail banking in a number of banks in Hong Kong and PRC. Before joining the Company in March 2002 and being appointed as an executive Director of the Company in June 2002, Mr. Kong was engaged as Vice President and Zone Manager of First Pacific Bank Limited. In 1994, Mr. Kong was assigned by First Pacific Bank Limited as representative to set up a Shenzhen representative office in the PRC. During that period, Mr. Kong was stationed in the Shenzhen representative office to maintain close relationship with various Chinese Government bureaus and other foreign financial institutions. Mr. Kong graduated from the Chinese University of Hong Kong in 1981 with an honoured bachelor degree in Business Management. Mr. Kong is currently studying for an executive master of business administration degree ("EMBA") offered by the Chinese University of Hong Kong and is expected to complete it by August 2002.

### Non-executive Director

**Dr. Chan Siu Lai (陳紹禮)**, aged 45, is currently a professor in the Department of Civil and Structural Engineering of the Hong Kong Polytechnic University. After serving as a civil engineer for about 3 years and completing his master degree in University of Wales, the United Kingdom, Professor Chan continued his studies for a doctorate degree at the University of Queensland under a scholarship from Australia in 1984 and joined the Hong Kong Polytechnic in 1987 after graduation. He has served in a number of professional committees in Hong Kong and in the United Kingdom and is now a member representing Hong Kong in the research panel of the (Royal Chartered) Institution of Structural Engineers, United Kingdom. He is also a registered professional engineer (structural), a fellow of the Institution of Engineers, Hong Kong and a chartered structural engineer in the United Kingdom. On research for advanced technology, he has published extensively in journals and books and was invited to deliver lectures in international conferences in Beijing, Korea and Singapore. He is also the invited chief editor of two international journals in Asia and Europe and is elected as member of editorial boards of 4 other journals. He has also been interviewed on television and in newspaper for his opinion on a number of engineering issues in Hong Kong. His research is mainly on the design of steel structures. Dr. Chan was appointed as a non-executive Director of the Company on 9 November 2001.

### Independent Non-executive Directors

**Dr. Sritawat Kitipornchai (陳錦順)**, aged 57, is a Chair Professor of Building and Construction at the City University of Hong Kong. He holds a bachelor of engineering degree with first class honours from Monash University and a doctorate degree from the University of Sydney. Dr. Kitipornchai has a wide range of teaching, research and consulting experience in structural engineering for over 28 years; particularly in the steel structures area. He is recognised as a world expert in nonlinear analysis of steel structures. Dr. Kitipornchai is a recipient of several awards including an excellence teaching award and a research award for the paper in Engineering Structures journal. Dr. Kitipornchai has been the Regional Editor of the internationally well-known Engineering Structures journal since 1993 and is a member of editorial boards of a number of other journals. He has published 6 books and over 200 scientific journal papers and is also the holder of 2 international patents. Dr. Kitipornchai was appointed as an independent non-executive Director on 9 November 2001.

**Mr. Leung Wai Cheung (梁偉祥)**, aged 37, is a qualified accountant and chartered secretary with over 14 years of experience in accounting, auditing and financial management. He graduated from Curtin University with a bachelor of commerce degree majoring in accounting and subsequently obtained a postgraduate diploma in corporate administration and a master of professional accounting degree from the Hong Kong Polytechnic University. He is an associate member of the Hong Kong Society of Accountants, Australian Society of Certified Practising Accountants, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Secretaries and the Taxation Institute of Hong Kong and a fellow member of the Association of Chartered Certified Accountants. Mr. Leung is also a visiting lecturer of the Open University of Hong Kong and is one of the founding members of IT Accountants Association in Hong Kong, an organisation helping the accounting professionals to prepare for the digital challenge. Mr. Leung was appointed as an independent non-executive Director on 9 November 2001.

## SENIOR MANAGEMENT

**Mr. Fu Chi Cheung (傅志祥)**, aged 51, is the general manager of the Company. He joined the Group in April 1988 and has been in charge of the contract and quantity surveying department of the Company for over 13 years. He graduated from a university in Shanghai. Mr. Fu also had experience in the planning, design and management of a number of engineering projects in the PRC.

**Mr. Leung Wai Chuen (梁偉泉)**, aged 36, is the financial controller of the Company with 13 years of experience in accounting and auditing. He holds a bachelor degree in social sciences from the University of Hong Kong and a master degree of business administration jointly awarded by the University of Manchester and the University of Wales (Bangor). He is an associate of the Hong Kong Society of Accountants and a fellow of the Association of Chartered Certified Accountants. He has wide exposure to main contractor business and listed company operations before he joined the Group in December 2001.

**Mr. Chan Kwong Wing Alex (陳廣榮)**, aged 39, is a quantity surveying manager of the Company. He is a member of the Association of Cost Engineer and an associate member of Chartered Institute of Building. He has over 13 years of experience in quantity surveying and project management in construction industry. He graduated from the Polytechnic of Wales and holds a bachelor degree in building studies. Prior to joining the company in August 2001, he had been a senior quantity surveyor in Sanfield (Management) Ltd for 7 years.

**Mr. Chung Wai Kong (鍾偉光)**, aged 40, is a construction manager of the Company. He joined the Group in September 2001 and was responsible for the overall supervision of the operations of all the scaffolding works contracts including the leasing of gondolas of the Group. Mr. Chung has 22 years of experience in the local construction industry and has obtained a High Certificate in Building Study from the Morrison Hill Technical Institute in 1984.

**Ms. Luk Man Nar Daisy (陸曼娜)** is a personnel and administration manager of the Company. She worked with Gammon Construction Limited for 13 years before joining the Company in December 1995. Ms. Luk holds a diploma in administrative management from the Institute of Administrative Management of the United Kingdom and a certificate in personnel management from the Hong Kong Polytechnic University. She is an associate of the Hong Kong Institute of Human Resource Management.



**Mr. Leung Fu Shing Richard (梁富成)**, aged 37, is a project manager of the Company. Prior to joining the Group in January 2000, he worked for Cristalla International Development Co. Ltd., a property development company in project management for over 6 years. Mr. Leung holds a bachelor degree in civil and structural engineering from the University of Hong Kong. He also holds a postgraduate diploma in construction project management from the University of Hong Kong and a diploma in finance from the Chinese University of Hong Kong.

**Mr. Law Yu Cheong (羅裕昌)**, BEng. (Hons), MSc, CEng, MIstructE, MHKIE, and RPE, aged 36, is a principal engineer of the Company. Mr. Law has 10 years of experience in the design, construction, supervision and contract administration of civil and structural engineering projects for foundations, steelworks, cladding and glazing systems before joining the Group in May 2001. He holds a degree of bachelor of engineering in civil engineering and a master of science degree in civil engineering from the Hong Kong Polytechnic University. Mr. Law is a member of the China Civil Engineering Society.

# REPORT OF THE DIRECTORS

The Board of Directors (The “Board”) is pleased to present the first annual report together with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 30 April 2002.

## GROUP REORGANISATION AND BASIS OF PREPARATION

### The Company

The Company was incorporated in the Cayman Islands under the Companies Law (2001 Second Revision) of the Cayman Islands as an exempted company with limited liability on 23 July 2001. The Company has established a place of business in Hong Kong at Rooms 601-603 and 605, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Aberdeen, Hong Kong and was registered on 28 August 2001 as an overseas company in Hong Kong under Part XI of the Companies Ordinance. Its shares have been listed on the GEM of The Stock Exchange since 7 December 2001. The Company is an investment holding company. Its subsidiaries are principally engaged in providing scaffolding for the construction and building works.

### Group Reorganisation

Pursuant to a group reorganisation (the “Reorganisation”) to rationalise the structure of the Group in preparation for the listing of the Company’s shares on GEM, the Company became the holding company of the companies now comprising the Group (as detailed in note 16 to the financial statements) on 23 November 2001. This was accomplished by acquiring the entire issued share capital of WLS (BVI) Limited in consideration of and in exchange for the Company’s allotted and issued share capital.

### Basis of Preparation

The financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of The Stock Exchange (“GEM Listing Rules”).

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of subsidiaries are detailed in note 16 to the financial statements.

An analysis of the Group’s turnover for the year ended 30 April 2002 is detailed in note 5 to the financial statements.

## SEGMENTAL INFORMATION

No segmental information is provided as explained in note 6 to the financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 April 2002, the five largest customers and the largest customer accounted for approximately 61 per cent and 30 per cent of the Group's total turnover respectively. The five largest suppliers and the largest supplier of the Group accounted for approximately 51 per cent and 22 per cent of the Group's total purchases respectively.

None of the Directors, their associates (as defined in the GEM Listing Rules) or any shareholders of the Company (who, to the knowledge of the Directors, own more than 5 per cent of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

## RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 30 April 2002 are set out in the consolidated income statement on page 34 of this annual report.

The Board does not recommend the payment of final dividend for the year ended 30 April 2002.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 14 to the financial statements.

## ISSUED CAPITAL AND SHARE OPTIONS

Details of the movements in issued capital and share options of the Company during the year are set out in note 26 to the financial statements.

## RESERVES

Movements in reserves during the year are set out in note 27 to the financial statements.

## SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 16 to the financial statements.

## BORROWINGS

Details of the borrowings of the Group are set out in notes 24 and 25 to the financial statements.

## DIRECTORS

The Directors who held office during the year and up to the date of this report are:

### Executive directors

Mr. So Yu Shing	(appointed on 23 July 2001)
Ms. Lai Yuen Mei, Rebecca	(appointed on 6 August 2001)
Mr. Woo Siu Lun	(appointed on 6 August 2001)
Mr. Kong Kam Wang	(appointed on 14 June 2002)

### Independent non-executive directors

Dr. Sritawat Kitipornchai	(appointed on 9 November 2001)
Mr. Leung Wai Cheung	(appointed on 9 November 2001)

### Non-executive director

Dr. Chan Siu Lai	(appointed on 9 November 2001)
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In accordance with Article 116 of the Articles of Association of the Company, Mr. So Yu Shing and Ms. Lai Yuen Mei, Rebecca will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

## DIRECTORS' SERVICE CONTRACTS

Each of Mr. So Yu Shing, Ms. Lai Yuen Mei, Rebecca and Mr. Woo Siu Lun has entered into a continuous service contract with the Company on 29 November 2001 for an initial term of three years commencing from 1 September 2001 and thereafter be continuous unless and until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Kong Kam Wang has entered into a continuous service contract with the Company on 7 June 2002 for an initial term of three years commencing from 14 June 2002 and thereafter be continuous unless and until terminated by not less than three months' notice in writing served by either party on the other.

The non-executive directors (including the independent non-executive directors) have no fixed term of office but are subject to the provisions of retirement and rotation of directors under the Articles of Association of the Company.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting of the Company has entered into any service arrangements with any member of the Group.

## DIRECTORS' INTERESTS IN SHARES

As at 30 April 2002, the interests of the Directors and their associates in the share capital of the Company or its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as required, pursuant to rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

### (a) Shares of the Company

Name of Director	Type of Interests	Number of shares held	
		Personal	Interests
Mr. So Yu Shing, chairman	Personal	242,215,000	
Ms. Lai Yuen Mei, Rebecca, director	Personal	74,225,000	
Mr. Woo Siu Lun, director	Personal	19,260,000	

### (b) Share Options

Mr. So Yu Shing, Ms. Lai Yuen Mei, Rebecca, and Mr. Woo Siu Lun and Mr. Kong Kam Wang, being Directors of the Company, have been granted certain share options under the Share Option Scheme. Details of such share options are set out in the Paragraph headed "Share Capital and Employee Share Options" herein below.

Other than as disclosed above, as at 30th April 2002, none of the Directors, nor their associates had any beneficial interests in the share capital of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which is required to be recorded in the Register of Directors' Interests pursuant to Section 29 of the SDI Ordinance or as required, pursuant to rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and The Stock Exchange.

At no time during the period from 7 December 2001 (the "Listing Date") to the date of this report was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

## WAIVER OF PERFORMANCE BONUSES

In the midst of the current world economic downturn and excessively keen competition locally, our three executive directors, namely, Mr. So Yu Shing, Ms. Lai Yuen Mei, Rebecca and Mr. Woo Siu Lun voluntarily waived their entitlements to receive their respective performance bonuses in respect of the financial year ended 30 April 2002. Such entitlements were stated in the Company's Prospectus dated 30 November 2001. Decision for such waiver was made for the purpose of preserving more cash flow within the Company for its growth and expansion which are of vital importance and in the interests of the Group and will ultimately benefit all the shareholders of the Company.

## SHARE CAPITAL AND EMPLOYEE SHARE OPTIONS

Details of the share capital of the Company are set out in note 26 to the financial statements.

The Company's share option scheme was adopted conditionally by a written resolution of all the Shareholders of the Company on 25 November 2001 for the primary purpose of providing incentive and recognising the contribution of the employees in full-time employment including directors (whether executive, non-executive or independent non-executive) of the Company and/or its subsidiaries. Under the terms of the Share Option Scheme (the "Scheme"), the Board of the Company may, at its absolute discretion, offer full-time employees of the Company or any of its subsidiaries, including executive, non-executive and independent non-executive directors of the Company or any of its subsidiaries, to take up options to subscribe for shares of the Company. The maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not, subject to the conditions set out in the Scheme, exceed 30% of the issued share capital of the Company from time to time.

On 21 May 2002, 28,300,000 share options were granted to certain directors and 40 employees of the Group under the Scheme for the subscription of shares of the Company at the subscription price of HK\$0.381 per share. These share options are exercisable from 28 May 2003 to 27 May 2009. The exercise in full of such share options, would, under the present capital structure of the Company, result in the issue of 28,300,000 additional shares.

The details of the grant of share options on 21 May 2002 to the directors of the Company are as follows:

	<b>Number of Underlying Shares</b>
Mr. So Yu Shing, chairman	4,500,000
Ms. Lai Yuen Mei, Rebecca, executive director	4,500,000
Mr. Woo Siu Lun, executive director	4,500,000
Mr. Kong Kam Wang, executive director (appointed on 14 June 2002)	4,500,000
Dr. Chan Siu Lai, non-executive director	100,000

The directors do not consider it appropriate to disclose a theoretical value of the share options granted above to the directors and employees because a number of factors crucial for the valuation are subjective and uncertain. In addition, a ready market value of the share options of the Company is not available. Accordingly, any valuation of the share options based on various speculative assumptions would not be meaningful and would be misleading.

## DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the business of the Company or any of its subsidiaries to which any of the Directors was a party and in which any of the Directors or members of its management had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year under review.

## SUBSTANTIAL SHAREHOLDERS

As at 30 April 2002, the register required to be kept under section 16(1) of the SDI Ordinance showed that the Company has been notified of the following interest, being 10% or more of the issued share capital of the Company.

Name	Number of Shares Held	Approximate percentage of Shareholding (%)
Mr. So Yu Shing (Note)	242,215,000 (Personal)	53.83
Ms. Lai Yuen Mei, Rebecca (Note)	74,225,000 (Personal)	16.49

Note:

Mr. So Yu Shing and Ms. Lai Yuen Mei, Rebecca are spouses and they are deemed to be interested in the shares of the Company held by each other under the SDI Ordinance and their deemed interest in the Company was 316,440,000 shares of the Company representing approximately 70.32% of the entire issued share capital of the Company.

## MANAGEMENT SHAREHOLDERS

So far as the directors are aware, other than those disclosed under the section head "Directors' Interest in Shares" above, there is no other person who is directly or indirectly interested in 5% or more of the share capital of the Company then issued and who is able, as a practical matter, to direct or influence the management of the Company.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

## PURCHASE, SALE OR REPURCHASE OF SHARES

Since the shares of the Company commenced trading on GEM on 7 December 2001, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the Company's shares during the year.

## CONNECTED TRANSACTIONS

The Group had related party transactions as further detailed in note 30 to the financial statements, which included the exempted continuing connected transaction described below and other related party transactions which were discontinued before the listing of the shares of the Company on GEM.

As disclosed in the sub-paragraph headed "exempted continuing connected transaction" in the paragraphs headed "Connected transaction" under the section headed "Business" of the prospectus of the Company dated 30 November 2001, Mr. Woo Siu Lun, an executive director, and Wui Loong Scaffolding Works Company Limited ("WL Scaffolding"), a wholly-owned subsidiary of the Company, entered into a tenancy agreement dated 1 November 2000. Pursuant to the tenancy agreement, WL Scaffolding agreed to lease a domestic unit situated at A8, 7th Floor, Mirador Mansion, 54-64, 54A-64A, 64B Nathan Road, 1A-1H and 1J Mody Road, 3-15 Bristol Avenue, and 1A-9A 3-9 Carnarvon Road, Tsimshatsui, Kowloon from Mr. Woo Siu Lun for a fixed term of two years from 1 November 2000 to 31 October 2002 at a monthly rental of HK\$10,800, inclusive of rates and management fees. This transaction is exempted from reporting, announcement and independent shareholders' approval requirements under Rule 20.25(3) of the GEM Listing Rules as the annual total consideration of the transaction is less than HK\$1,000,000.

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

## COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rule 5.28 to 5.39 of the GEM Listing Rules since the listing of the Company's shares on GEM on 7 December 2001 .

## STAFF RETIREMENT SCHEME

The Group has implemented a provident fund scheme for its staff in compliance with the requirements of the Mandatory Provident Fund Schemes Ordinance ("MPF Ordinance") and strictly complies with the MPF Ordinance in making contributions and allows qualified employees to elect making voluntary contributions to the scheme.



## AUDITORS

The financial statements of the Group were audited by RSM Nelson Wheeler. A resolution for their reappointment as auditors for the ensuing year is to be proposed at the forthcoming annual general meeting of the Company.

## ADVANCES TO ENTITIES

According to Rule 17.15, 17.17 and 17.22 of the GEM listing Rules, a disclosure obligation has arisen where the relevant advance to an entity from the Group exceeds 25% of the Group's net tangible assets. Trading balance under normal course of business due from the following independent third party, in excess of 25% of the Group's net tangible assets at 30 April 2002, was as follows:

	2002		2001	
	HK\$'000	%	HK\$'000	%
Sanfield Building Contractors Limited	<b>12,540</b>	<b>29.0</b>	15,366	120.9
Chun Fai Hip Hing JV Limited	<b>N/A</b>	<b>N/A</b>	3,842	30.2
Shun Shing Construction & Engineering Company Limited	<b>N/A</b>	<b>N/A</b>	3,304	26.0
Hsin Chong Construction Company Limited	<b>N/A</b>	<b>N/A</b>	7,605	59.8
Shui On Building Contractors Limited	<b>N/A</b>	<b>N/A</b>	9,679	76.2

All the above trade and retention money receivables were unsecured, interest free and have terms of settlement in accordance with the relevant tenders or contracts.

## DONATIONS

During the year, the group made charitable and other donations amounting to approximately HK\$123,000.

## SPONSOR'S INTERESTS

Pursuant to a sponsor agreement dated 29 November 2001 between the Company and CSC Asia Limited ("CSC Asia"), CSC Asia has been retained as the sponsor of the Company for the purpose of Chapter 6 of the GEM for the period from 7 December 2001 (being the listing date) to 30 April 2004.

None of CSC Asia, its directors, employees nor associates had any shareholding interest in the securities of the Company or any member of the Group nor have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for the securities of the Company or any member of the Group as at 30 April 2002.

## COMPETING INTERESTS

None of the Directors or the initial management shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competed or might compete with the business of the Group.

## EVENTS AFTER THE BALANCE SHEET DATE

Details of significant events after the balance sheet date are set out in note 35 to the financial statements.

## AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee has 2 members, namely Dr. Sritawat Kitipornchai and Mr. Leung Wai Cheung, both being independent non-executive directors. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to review the Company's annual reports and accounts, half-yearly and quarterly reports.

On behalf of the Board

**So Yu Shing**

*Chairman*

Hong Kong, 22 July 2002

**RSM Nelson Wheeler**

Certified Public Accountants  
羅申美會計師行

TO THE SHAREHOLDERS OF

**WLS HOLDINGS LIMITED**

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

We have audited the financial statements on pages 34 to 70 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

**Respective responsibilities of directors and auditors**

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 April 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**RSM Nelson Wheeler**

*Certified Public Accountants*

Hong Kong  
22 July 2002

## Consolidated Income Statement

for the year ended 30 April 2002

	Note	2002 HK\$'000	2001 HK\$'000
<b>TURNOVER</b>	5	<b>175,848</b>	158,885
Cost of sales		<b>(140,770)</b>	(127,764)
Gross profit		<b>35,078</b>	31,121
Other revenue	5	<b>971</b>	524
Administrative expenses		<b>(19,530)</b>	(15,462)
Other operating expenses		<b>(125)</b>	(91)
<b>PROFIT FROM OPERATIONS</b>	7	<b>16,394</b>	16,092
Finance costs	8	<b>(2,010)</b>	(3,219)
<b>PROFIT BEFORE TAXATION</b>		<b>14,384</b>	12,873
Taxation	10	<b>(2,306)</b>	(2,200)
<b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>	11	<b>12,078</b>	10,673
Dividends	12	–	11,773
<b>EARNINGS PER SHARE – Basic</b>	13	<b>HK2.94 cents</b>	HK2.77 cents

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Balance Sheet

30 April 2002

	Note	2002 HK\$'000	2001 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	23,011	15,480
Investment property	15	4,000	5,000
Long term retention money receivables, net		3,746	3,611
		<b>30,757</b>	24,091
<b>CURRENT ASSETS</b>			
Inventories	17	479	42
Amounts due from customers for contract work	18	7,771	4,133
Trade receivables, net	19	48,630	46,245
Retention money receivables, net		2,440	10,294
Prepayments, deposits and other current assets		1,573	694
Amount due from a related company	20	–	7
Pledged deposits	21	9,719	4,045
Bank and cash balances		5,298	140
		<b>75,910</b>	65,600
<b>CURRENT LIABILITIES</b>			
Amounts due to customers for contract work	18	17,675	19,722
Trade and other payables	22	13,000	15,083
Retention money payables		6,524	4,123
Amount due to a director	23	1,305	2,941
Import loans, secured	31	317	654
Bank loans, secured – due within one year	24	5,996	5,506
Obligations under finance leases – due within one year	25	1,892	1,057
Bank overdrafts, secured	31	2,544	9,373
Provision for taxation		4,635	6,478
		<b>53,888</b>	64,937
<b>NET CURRENT ASSETS</b>		<b>22,022</b>	663
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>52,779</b>	24,754
<b>NON-CURRENT LIABILITIES</b>			
Long term retention money payables		–	1,015
Bank loans, secured – due after one year	24	7,430	9,551
Obligations under finance leases – due after one year	25	935	773
Deferred taxation	10	1,217	705
		<b>9,582</b>	12,044
<b>NET ASSETS</b>		<b>43,197</b>	12,710
<b>CAPITAL AND RESERVES</b>			
Share capital	26	4,500	4
Reserves	27	38,697	12,706
<b>SHAREHOLDERS' FUNDS</b>		<b>43,197</b>	12,710

So Yu Shing  
Director

Woo Siu Lun  
Director

The accompanying notes are an integral part of these consolidated financial statements.

### Consolidated Statement of Recognised Gains and Losses

for the year ended 30 April 2002

	Note	2002 HK\$'000	2001 HK\$'000
Revaluation deficit on investment property	27	<b>(1,000)</b>	(400)
Profit attributable to shareholders	27	<b>12,078</b>	10,673
Total recognised gains		<b>11,078</b>	10,273

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Cash Flow Statement

for the year ended 30 April 2002

	Note	2002 HK\$'000	2001 HK\$'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	28(a)	<b>17,853</b>	13,850
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest income		184	172
Interest expenses		(1,692)	(2,963)
Finance lease charges		(318)	(256)
Net cash outflow from returns on investments and servicing of finance		(1,826)	(3,047)
<b>TAXATION</b>			
Hong Kong profits tax paid		(3,637)	(623)
<b>INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		(8,979)	(6,076)
Proceeds on disposals of property, plant and equipment		–	26
Time deposits		(5,674)	(170)
Net cash outflow from investing activities		(14,653)	(6,220)
<b>NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING ACTIVITIES</b>		<b>(2,263)</b>	3,960
<b>FINANCING ACTIVITIES</b>	28(b)		
Proceeds from issue of new shares to public		24,624	–
Expenses paid in connection with shares issued		(5,215)	–
New bank loans		10,224	6,800
Repayment of bank loans		(11,855)	(10,963)
Repayment of capital element of finance lease obligations		(1,892)	(1,064)
Advances from a director		–	1,310
Repayment of amount due to a director		(1,636)	–
Net cash inflow/(outflow) from financing activities		14,250	(3,917)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>11,987</b>	43
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>(9,233)</b>	(9,276)
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>2,754</b>	(9,233)
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Bank and cash balances		5,298	140
Bank overdrafts		(2,544)	(9,373)
		<b>2,754</b>	(9,233)

The accompanying notes are an integral part of these consolidated financial statements.

## Balance Sheet

30 April 2002

	Note	2002 HK\$'000
<b>NON-CURRENT ASSETS</b>		
Interests in subsidiaries	16	14,947
<b>CURRENT ASSETS</b>		
Prepayments		100
Bank balances		4,855
		4,955
<b>CURRENT LIABILITIES</b>		
Other payables	22	80
Provision for taxation		69
		149
<b>NET CURRENT ASSETS</b>		
		4,806
<b>NET ASSETS</b>		
		19,753
<b>CAPITAL AND RESERVES</b>		
Share capital	26	4,500
Reserves	27	15,253
<b>SHAREHOLDERS' FUNDS</b>		
		19,753

**So Yu Shing**  
*Director*

**Woo Siu Lun**  
*Director*

The accompanying notes are an integral part of these consolidated financial statements.



## Notes to the Financial Statements

30 April 2002

**1. GROUP REORGANISATION**

The Company was incorporated in the Cayman Islands on 23 July 2001 as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands.

Pursuant to a group reorganisation (the "Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group (as detailed in note 16) on 23 November 2001. This was accomplished by acquiring the entire issued share capital of WLS (BVI) Limited in consideration of and in exchange for the Company's allotted and issued share capital. Further details of the Reorganisation and of the subsidiaries acquired pursuant thereto are set out in notes 26 and 16 to the financial statements, respectively, and in the Company's prospectus dated 30 November 2001.

**2. PRINCIPAL ACTIVITIES**

During the year, the Group was principally engaged in the provision of scaffolding for the construction and building works in Hong Kong, namely (a) construction works in respect of public housing; (b) construction works in respect of private residential and commercial buildings; (c) repairs, maintenance and renovation works in respect of public housing, private residential properties and commercial buildings; and (d) landslip preventive and remedial works to slopes and retaining walls. It was also engaged in gondolas letting coupled with the provision of skilled operators and the provision of consultancy services in relation to scaffolding works.

**3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/ CHANGES IN ACCOUNTING POLICIES**

During the year, the Group adopted for the first time a number of new and revised Statements of Standard Accounting Practices ("SSAP") issued by the Hong Kong Society of Accountants which are listed as follows:

(a) SSAP 9 (revised)	Events after the balance sheet date
(b) SSAP 11 (revised)	Foreign currency translation
(c) SSAP 14 (revised)	Leases
(d) SSAP 17 (revised)	Property, plant and equipment
(e) SSAP 28	Provisions, contingent liabilities and contingent assets
(f) SSAP 31	Impairment of assets
(g) SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

## Notes to the Financial Statements

30 April 2002

### 3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/ CHANGES IN ACCOUNTING POLICIES (continued)

Adoption of these Standards has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 4. These changes do not have any material effect on the results for the current or prior accounting periods and, accordingly, no prior year adjustments is required. In addition, the new and revised Standards have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Certain comparative amounts for the prior year have been restated to conform to the new policies.

### 4. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. They have been prepared under the historical cost convention as modified by the periodic revaluation of leasehold properties and investment property.

The Company was incorporated on 23 July 2001, accordingly, no comparative amounts have been presented for the Company's balance sheet.

#### Basis of consolidation

The consolidated financial statements of the Group included the financial statements of the Company and its subsidiaries made up to 30 April.

The Reorganisation, referred to in note 1 above, involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation have been regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated financial statements have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the year ended 30 April 2002, rather than from the date on which the Reorganisation was completed. The comparative figures as at and for the year ended 30 April 2001 have been presented on the same basis.

Intra-group balances and transactions and the resulting unrealised profits are eliminated in full. Unrealised losses resulting from intra-group transactions are eliminated unless cost cannot be recovered. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

## Notes to the Financial Statements

30 April 2002

#### 4. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Subsidiaries

A subsidiary is a company which the Company controls. Control is normally evidenced when the Group has the power, directly or indirectly, to govern the financial and operating policies of that company so as to obtain benefits from its activities.

In the Company's financial statements, the interests in subsidiaries are stated at cost less accumulated impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

##### Property, plant and equipment

Leasehold properties are stated at valuation less accumulated depreciation and accumulated impairment losses. Revaluations are performed periodically to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Increases in valuation are credited to the leasehold properties revaluation reserve. Decreases in valuation are first offset against increases in earlier valuations in respect of the same property and are thereafter debited to the income statement. Any subsequent increases are credited to the income statement up to the amount previously debited.

Property, plant and equipment other than leasehold properties are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line method at annual rates sufficient to write off their cost over their estimated useful lives. The annual rates are as follows:

Leasehold properties	2%
Plant and machinery	20%
Metal tubes and catwalk	20%
Gondolas and related equipment	20%
Motor vehicles	20%
Furniture and fixtures	20%

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The gain or loss on disposal of a property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

## Notes to the Financial Statements

30 April 2002

### 4. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investment property

Investment property is an interest in land and building in respect of which construction work and development has been completed and which is held for its investment potential, any rental income being negotiated at arm's length.

In accordance with the provision of SSAP 13 "Accounting for Investment Properties", the Group is exempted from open market valuation since the aggregate estimated open market value of the investment property is less than HK\$50 million and 15% of the carrying value of the total assets.

Effective 1996, the directors performed open market valuation of the investment property by independent professional valuer periodically. The directors believe that the revalued amount of the investment property can reflect the financial position of the Group more fairly.

A change in the value of the investment property is dealt with as movement in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a reduction in the open market value on a portfolio basis, the excess is charged to the income statement.

Upon disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuation is released from the investment property revaluation reserve to the income statement as part of the gain or loss on disposal of the investment property.

No depreciation is provided on the investment property unless the expired lease term is 20 years or less, in which case depreciation is provided on their carrying value over the unexpired lease term.

#### Impairment of assets

At each balance sheet date, assets including property, plant and equipment, investment property, interests in subsidiaries are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

## Notes to the Financial Statements

30 April 2002

#### 4. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Impairment of assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

##### Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing.

Assets held under capitalised finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases but are depreciated over their estimated useful lives.

##### Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement on the straight-line basis over the lease terms.

##### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis, and in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to effect the sale.

## Notes to the Financial Statements

30 April 2002

### 4. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Inventories (continued)

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period, in which the write-down or loss occurs. The amount of any reversal of a write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### Contracts in progress

Contracts in progress is stated at cost plus attributable profits recognised on the basis set out in note – 'Contract revenue' below, less provisions for foreseeable losses and progress billings received and receivable. Cost is calculated using the first in, first out basis and includes direct materials, direct labour and subcontracting costs. Where progress billings received and receivable on the long-term contracts exceed costs incurred to date plus recognised profits less recognised losses, the net amount is treated as amounts due to customers for contract work. Where costs incurred to date plus recognised profits less recognised losses exceed progress billings received and receivable on the long term contracts, the net amount is treated as amounts due from customers for contract work.

#### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) Contract revenue

To the extent that the outcome of long-term contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs to date to the estimated total contract costs for each contract. Based on this method, the Group recognises profit on long-term contracts only when the costs of work as incurred to date exceeds 25% of the total expected costs from the contracts and a profitable outcome can be prudently foreseen after making due allowances for contingencies.

Provision is made on all contracts for foreseeable losses as soon as they are anticipated. Claims made on clients, including those relating to variation orders, are accounted for only to the extent of the amounts which can be reliably estimated and are likely to be collectible.

## Notes to the Financial Statements

30 April 2002

**4. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(b) Provision of services**

Revenue from the provision of services is recognised when the services are rendered.

**(c) Interest income**

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

**(d) Rental income**

Rental income is recognised on an accrual basis.

**Staff retirement benefits**

The costs of staff retirement benefits are recognised as an expense in the income statement as and when incurred.

**Foreign currencies**

Transactions in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at that date. Profits and losses resulting from this translation policy are dealt with in the income statement.

**Borrowing costs**

Borrowing costs are expensed in the income statement in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use.

**Taxation**

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowable. Hong Kong profits tax is provided at the rate prevailing for the year based on the assessable profit for the year less allowable losses, if any, brought forward.

## Notes to the Financial Statements

30 April 2002

### 4. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Taxation (continued)

Deferred taxation is provided using the liability method, on all significant timing differences in the recognition of revenue and expenses for tax and for financial reporting purposes, to the extent that it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

#### Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

#### Cash equivalents

Cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

#### Provisions and contingencies

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal constructive obligation arising as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

#### Events after the balance sheet date

Post-year-end events that provide additional information about a company's position at the balance sheet date or those that indicate the going concern assumption is not appropriate (adjusted events), are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.



## Notes to the Financial Statements

30 April 2002

## 5. TURNOVER AND REVENUE

Turnover represents long-term contract revenue, gondolas services income and consultancy services income. Significant categories of revenue recognised during the year are as follows:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Turnover		
Contract revenue	<b>175,060</b>	158,885
Gondolas services income	<b>609</b>	–
Consultancy services income	<b>179</b>	–
	<b>175,848</b>	158,885
Other revenue		
Rental income	<b>305</b>	240
Interest income	<b>184</b>	172
Sundry income	<b>482</b>	112
	<b>971</b>	524
Total revenue	<b>176,819</b>	159,409

## 6. SEGMENTAL INFORMATION

During the years ended 30 April 2002 and 2001, the Group was principally engaged in providing scaffolding for the construction and building works in Hong Kong with more than 90% of the Group's turnover and operating results arose from scaffolding business. Accordingly, no business segmental information is prepared by the Group. In view of the fact that all the Group's revenue were derived from activities conducted in Hong Kong and all its assets are located in Hong Kong, no geographical segmental information is presented.

## Notes to the Financial Statements

30 April 2002

**7. PROFIT FROM OPERATIONS**

Profit from operations has been arrived at after charging/(crediting):

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Depreciation		
Owned property, plant and equipment	<b>3,540</b>	2,219
Leased property, plant and equipment	<b>672</b>	815
Total depreciation	<b>4,212</b>	3,034
Loss on disposals of property, plant and equipment	–	47
Property, plant and equipment written off	–	167
Auditors' remuneration	<b>360</b>	132
Inventories written off	<b>6</b>	–
Operating leases rentals in respect of land and buildings	<b>1,083</b>	935
Provision for doubtful debts	<b>7</b>	213
Staff costs, including directors' emoluments (note 9)	<b>48,614</b>	37,488
Deficit/(Surplus) on revaluation of leasehold properties	<b>125</b>	(123)
Rental income from land and buildings (after deduction of direct outgoings)	<b>(240)</b>	(240)

**8. FINANCE COSTS**

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Bank interests		
Wholly repayable within five years	<b>1,273</b>	2,027
Not wholly repayable within five years	<b>419</b>	936
Finance lease charges	<b>318</b>	256
Total finance costs	<b>2,010</b>	3,219

## Notes to the Financial Statements

30 April 2002

## 9. EMOLUMENTS OF DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments paid and payable to the directors of the Company during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Fees for executive directors	–	–
Fees for non-executive directors	–	–
Other emoluments for executive directors		
Basic salaries, allowances and benefits in kind	4,332	1,754
Discretionary and performance bonuses	–	–
Retirement contributions	36	6
Other emoluments for non-executive directors	–	–
Total directors' emoluments	<b>4,368</b>	1,760

The three executive directors received individual emoluments of approximately HK\$2,459,000 (2001: HK\$946,000), HK\$1,021,000 (2001: HK\$410,000) and HK\$888,000 (2001: HK\$404,000) respectively for the year ended 30 April 2002.

Pursuant to three service contracts all dated 29 November 2001, regarding performance bonus of the three executive directors, in case of the audited consolidated profit of the Group (after taxation and minority interests but before extraordinary items and the performance bonus payable to the three executive directors) for the year ended 30 April 2002 exceeds HK\$12,000,000, the three executive directors are entitled to receive the performance bonus calculated on 5%, 3% and 2% respectively of the aforesaid audited consolidated profit of the Group. However, the three executive directors had agreed irrevocably to waive their entitlements to the performance bonus for the year ended 30 April 2002. Save as disclosed above, no directors waived any emoluments for the year.

## Notes to the Financial Statements

30 April 2002

## 9. EMOLUMENTS OF DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES (continued)

The five highest paid individuals included three directors (2001: one) during the year, whose emoluments are set out above. Details of the emoluments of the remaining two (2001: four) highest paid, non-director employees during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Basic salaries, allowances and benefits in kind	1,019	1,827
Discretionary bonuses	245	255
Retirement contributions	24	67
	<b>1,288</b>	2,149

The remaining two (2001: four) highest paid, non-director employees whose emoluments fell within the band of Nil to HK\$1,000,000 for the year.

During the year, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 10. TAXATION

The taxation charge comprises:

	2002 HK\$'000	2001 HK\$'000
Hong Kong profits tax		
Current	1,960	1,772
Over-provision in respect of prior years	(166)	–
Deferred	512	428
Tax charge for the year	<b>2,306</b>	2,200

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profit of the Group arising in Hong Kong for the year.

## Notes to the Financial Statements

30 April 2002

**10. TAXATION (continued)**

The movement of deferred taxation comprises:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
At beginning of the year	<b>705</b>	277
Transfer from income statement	<b>512</b>	428
At end of the year	<b>1,217</b>	705

The amount of deferred taxation represents:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Accelerated depreciation allowances	<b>1,217</b>	705

There was no significant unprovided deferred taxation as at 30 April 2002 and 2001.

**11. PROFIT ATTRIBUTABLE TO SHAREHOLDERS**

The profit attributable to shareholders dealt with in the financial statements of the Company for the period from 23 July 2001 (date of incorporation) to 30 April 2002 was approximately HK\$340,000.

**12. DIVIDENDS**

No dividends have been paid or declared by the Company since its incorporation.

Dividend in 2001 represented interim dividend paid by a subsidiary to its then shareholders prior to the Reorganisation. The rate of dividend and the number of shares ranking for the dividend mentioned above are not presented as such information is not considered meaningful for the purpose of these financial statements.

## Notes to the Financial Statements

30 April 2002

**13. EARNINGS PER SHARE**

The calculation of the basic earnings per share is based on the profit attributable to shareholders for the year of approximately HK\$12,078,000 (2001: profit attributable to shareholders of approximately HK\$10,673,000) and the weighted average number of approximately 410,942,000 shares (2001: pro forma number of 385,200,000 shares deemed to be issued as further described in note 26) in issue during the year.

Diluted earnings per share is not presented as the Company has no dilutive potential shares at 30 April 2002 (2001: Nil).

**14. PROPERTY, PLANT AND EQUIPMENT**

Group

	Leasehold properties	Plant and machinery	Metal tubes and catwalk	Gondolas and related equipment	Motor vehicles	Furniture and fixtures	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost or valuation</b>							
At 1 May 2001	6,130	824	7,555	–	4,714	2,618	21,841
Additions	–	–	6,808	3,957	387	716	11,868
Revaluation	(180)	–	–	–	–	–	(180)
At 30 April 2002	5,950	824	14,363	3,957	5,101	3,334	33,529
Representing:							
At cost	–	824	14,363	3,957	5,101	3,334	27,579
At 2001 professional valuation	5,950	–	–	–	–	–	5,950
At 30 April 2002	5,950	824	14,363	3,957	5,101	3,334	33,529
<b>Accumulated depreciation</b>							
At 1 May 2001	–	243	1,897	–	2,065	2,156	6,361
Charge for the year	131	161	2,396	164	991	369	4,212
Revaluation	(55)	–	–	–	–	–	(55)
At 30 April 2002	76	404	4,293	164	3,056	2,525	10,518
<b>Net book value</b>							
At 30 April 2002	5,874	420	10,070	3,793	2,045	809	23,011
At 30 April 2001	6,130	581	5,658	–	2,649	462	15,480

## Notes to the Financial Statements

30 April 2002

**14. PROPERTY, PLANT AND EQUIPMENT (continued)**

- (a) The leasehold properties situated in Hong Kong are held under leases of between 10 to 50 years and have been pledged to a bank to secure banking facilities granted to the Group (note 31).

The leasehold properties of the Group were stated at the amount revalued by Vigers Hong Kong Limited, an independent professional valuer, on the basis of the open market value as at 30 September 2001. The directors are of the opinion that the aggregate net book value of leasehold properties as at 30 April 2002 was not materially different from their aggregate estimated open market value as at 30 April 2002. The carrying amount of the leasehold properties of the Group would have been approximately HK\$10,215,000 had they been stated at cost less accumulated depreciation (2001: HK\$10,441,000).

- (b) The aggregate net book value of the Group's motor vehicles held under finance leases as at 30 April 2002 was approximately HK\$1,374,000 (2001: HK\$2,368,000).
- (c) The aggregate net book value of the Group's gondolas held under finance leases as at 30 April 2002 was approximately HK\$2,391,000 (2001: Nil).

**15. INVESTMENT PROPERTY**

Movements of investment property are as follows:

<b>Group</b>	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
<b>At valuation</b>		
At beginning of the year	<b>5,000</b>	5,400
Deficit on revaluation (note 27)	<b>(1,000)</b>	(400)
At end of the year	<b>4,000</b>	5,000

The investment property situated in Hong Kong is held under long term leases (unexpired period over 50 years) and has been pledged to a bank to secure banking facilities granted to the Group (note 31).

Investment property was revalued at 30 April 2002 on the basis of its open market value by Vigers Hong Kong Limited, an independent professional valuer.

## Notes to the Financial Statements

30 April 2002

## 16. INTERESTS IN SUBSIDIARIES

## Company

	2002 HK\$'000
Unlisted shares, at cost	4
Amounts due from subsidiaries	15,116
Amount due to a subsidiary	(173)
	<u>14,947</u>

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

Company	Place of incorporation/ registration and operations	Issued and fully paid-up capital	Attributable equity interest held by the Company		Principal activities
			Direct	Indirect	
WLS (BVI) Limited	British Virgin Islands	Ordinary US\$38,510	100%	–	Investment holding
Wui Loong Holdings Company Limited	Hong Kong	Ordinary HK\$100,000	–	100%	Property holding
Wui Loong Scaffolding Works Company Limited	Hong Kong	Ordinary HK\$2 Non-voting deferred (Note) HK\$1,900,000	–	100%	Scaffolding works business and property investment
Wui Loong System Scaffolds Company Limited	Hong Kong	Ordinary HK\$100,000	–	100%	Scaffolding works business



## Notes to the Financial Statements

30 April 2002

## 16. INTERESTS IN SUBSIDIARIES (continued)

Company	Place of incorporation/ registration and operations	Issued and fully paid-up capital	Attributable equity interest held by the Company		Principal activities
			Direct	Indirect	
Skylon International Limited	Hong Kong	Ordinary HK\$10,000	–	100%	Gondolas rental
Skyway Transport & Trading Company Limited	Hong Kong	Ordinary HK\$10,000	–	100%	Provision of transportation services
Graceman Industrial Limited	Hong Kong	Ordinary HK\$10,000	–	100%	Manufacturing of plastic ties
Wui Loong Consultancy Company Limited	Hong Kong	Ordinary HK\$100,000	–	100%	Provision of consultancy services

Note: The non-voting deferred shares carry no rights to dividends, no rights to attend or vote at general meetings and no rights to receive any surplus assets in a return of capital in a winding-up (other than one half of the balance of such assets after the sum of HK\$100,000,000,000,000 has been distributed to the holders of the ordinary shares of the company in such winding-up).

## 17. INVENTORIES

Group	2002	2001
	HK\$'000	HK\$'000
Raw materials	479	42

As at 30 April 2002, the carrying amount of inventories that are carried at net realisable value is approximately HK\$64,000 (2001: Nil)

## Notes to the Financial Statements

30 April 2002

## 18. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

<b>Group</b>	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Contracts in progress:		
Cost to date	<b>157,728</b>	105,996
Attributable profits recognised less foreseeable losses	<b>40,910</b>	23,436
	<b>198,638</b>	129,432
Less: Progress billings	<b>(208,542)</b>	(145,021)
	<b>(9,904)</b>	(15,589)
Amounts due from customers for contract work	<b>7,771</b>	4,133
Amounts due to customers for contract work	<b>(17,675)</b>	(19,722)
	<b>(9,904)</b>	(15,589)

## 19. TRADE RECEIVABLES, NET

<b>Group</b>	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b>50,885</b>	48,668
Less: Provision for doubtful debts	<b>(2,255)</b>	(2,423)
Trade receivables, net	<b>48,630</b>	46,245

## Notes to the Financial Statements

30 April 2002

## 19. TRADE RECEIVABLES, NET (continued)

The credit terms given to each individual customer were in accordance with the payment terms stipulated in the relevant tenders or contracts. The following is an aged analysis of trade receivables at the balance sheet date:

Group	2002	2001
	HK\$'000	HK\$'000
0 to 90 days	31,673	41,885
91 to 180 days	10,459	3,478
181 to 270 days	4,102	448
271 to 360 days	500	20
over 360 days	4,151	2,837
	<b>50,885</b>	48,668

## 20. AMOUNT DUE FROM A RELATED COMPANY

Group	Maximum balance outstanding during the year ended 30 April 2002 HK\$'000	2002	2001
		HK\$'000	HK\$'000
Wui Loong Aluminium Formwork Engineering Company Limited	7	–	7

As at 30 April 2002, Wui Loong Aluminium Formwork Engineering Company Limited, a related company, was 100% beneficially owned by the directors, Mr. So Yu Shing and Ms. Lai Yuen Mei, Rebecca. The amount represented the sundry income receivable which was unsecured, interest free and had been fully settled before 30 April 2002.

## Notes to the Financial Statements

30 April 2002

**21. PLEDGED DEPOSITS**

As at 30 April 2002, the Group's time deposits of approximately HK\$9,719,000 (2001: HK\$4,045,000) were pledged as collateral for the Group's banking facilities (note 31).

**22. TRADE AND OTHER PAYABLES**

	<b>Group</b>	<b>Company</b>	
	<b>2002</b>	2001	<b>2002</b>
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>
Trade payables	<b>7,518</b>	10,949	–
Other payables	<b>5,482</b>	4,134	<b>80</b>
	<b>13,000</b>	15,083	<b>80</b>

The following is an aged analysis of trade payables at the balance sheet date:

<b>Group</b>	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
0 to 90 days	<b>6,919</b>	9,647
91 to 180 days	<b>309</b>	1,262
181 to 270 days	<b>216</b>	–
271 to 360 days	<b>51</b>	–
over 360 days	<b>23</b>	40
	<b>7,518</b>	10,949

## Notes to the Financial Statements

30 April 2002

**23. AMOUNT DUE TO A DIRECTOR**

The amount due to a director, Ms. Lai Yuen Mei, Rebecca represented advances granted from and expenses settled by her. The amount was unsecured, interest free and repayable on demand.

**24. BANK LOANS, SECURED****Group**

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
<hr/>		
The bank borrowings (note 31) are repayable as follows:		
Within one year	<b>5,996</b>	5,506
In the second year	<b>2,443</b>	2,070
In the third to fifth years inclusive	<b>3,418</b>	3,488
After five years	<b>1,569</b>	3,993
	<b>13,426</b>	15,057
Less: Amounts due for settlement within 12 months (shown under current liabilities)	<b>(5,996)</b>	(5,506)
Amounts due for settlement after 12 months	<b>7,430</b>	9,551
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Financial Statements

30 April 2002

## 25. OBLIGATIONS UNDER FINANCE LEASES

Group	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Amounts payable under finance leases				
Within one year	<b>2,102</b>	1,310	<b>1,892</b>	1,057
In the second year	<b>1,032</b>	686	<b>935</b>	557
In the third to fifth years inclusive	–	260	–	216
	<b>3,134</b>	2,256	<b>2,827</b>	1,830
Less: Future finance charges	<b>(307)</b>	(426)	<b>N/A</b>	N/A
Present value of lease obligations	<b>2,827</b>	1,830	<b>2,827</b>	1,830
Less: Amounts due for settlement within 12 months (shown under current liabilities)			<b>(1,892)</b>	(1,057)
Amounts due for settlement after 12 months			<b>935</b>	773

It is the Group's policy to lease certain of its plant and equipment under finance leases. The lease terms are ranged from 2 to 4 years. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

## Notes to the Financial Statements

30 April 2002

## 26. SHARE CAPITAL

Shares	Number of shares	Amount HK\$'000
Authorised:		
On incorporation, shares of HK\$1.00 each (note (a))	350,000	350
Subdivision of shares of HK\$1.00 each into HK\$0.01 each (note (b))	35,000,000	350
Increase in authorised share capital (note (c))	765,000,000	7,650
At 30 April 2002 (shares of HK\$0.01 each)	800,000,000	8,000
Issued and fully paid:		
Issue of share of HK\$1.00 to initial subscriber (note (a))	1	–
Subdivision of share of HK\$1.00 each into HK\$0.01 each (note (b))	100	–
Issue of shares as consideration for the acquisition of the entire share capital of a subsidiary (note (d))	385,100	4
Pro forma share capital at 30 April 2001 (shares of HK\$0.01 each)	385,200	4
New issue to public by way of placement (note (f))	64,800,000	648
Issue of shares by capitalisation of share premium (note (e))	384,814,800	3,848
Share capital at 30 April 2002 (shares of HK\$0.01 each)	450,000,000	4,500

The following changes in the Company's authorised and issued share capital took place during the period from 23 July 2001 (date of incorporation of the Company) to 30 April 2002:

- (a) On incorporation, the authorised share capital of the Company was HK\$350,000 divided into 350,000 shares of HK\$1.00 each, one share of which was allotted and issued, credited as fully paid, to the initial subscriber of the Company on the same date.
- (b) On 6 August 2001, each of the issued share and unissued shares of HK\$1.00 each of the Company was subdivided into 100 shares of HK\$0.01 each.

## Notes to the Financial Statements

30 April 2002

### 26. SHARE CAPITAL (continued)

#### Shares (continued)

- (c) On 23 November 2001, the authorised share capital of the Company was increased from HK\$350,000 to HK\$8,000,000 by the creation of an additional 765,000,000 shares of HK\$0.01 each ranking pari passu in all respects with the existing shares.
- (d) On 23 November 2001, as part of the Reorganisation described in note 1, the Company allotted and issued an aggregate of 385,100 new shares of HK\$0.01 each credited as fully paid at par in consideration of and in exchange for the acquisition of the entire issued share capital of WLS (BVI) Limited, the then holding company of the Group.
- (e) On 25 November 2001, written resolutions of all the then shareholders of the Company was passed pursuant to which, a total of 384,814,800 shares of HK\$0.01 each were allotted and issued as fully paid at par to the holders of the Company's shares whose names appeared on the register of members of the Company at the close of business on 26 November 2001, in proportion to their respective shareholdings, by way of capitalisation of the sum of HK\$3,848,148 standing to the credit of the share premium account of the Company, conditional on the share premium account being credited as a result of the new share issue by way of placement on 6 December 2001.
- (f) On 6 December 2001, 64,800,000 shares of HK\$0.01 each were issued at HK\$0.38 each to the public by way of placement for a total cash consideration, before related expenses, of HK\$24,624,000. The excess over the par value of the shares issued was credited to the share premium account.

#### Share options

Under the terms of the Share Option Scheme (the "Scheme") adopted by the Company on 25 November 2001, the board of directors of the Company (the "Board") may, at its absolute discretion, offer full-time employees of the Company or any of its subsidiaries, including executive, non-executive and independent non-executive directors of the Company or any of its subsidiaries, to take up options to subscribe for shares of the Company. The maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not, subject to the conditions set out in the Scheme, exceed 30% of the issued share capital of the Company from time to time.



## Notes to the Financial Statements

30 April 2002

**26. SHARE CAPITAL (continued)****Share options (continued)**

The subscription price will be determined by the Board, but may not less than the highest of (a) the closing price of the Company's shares on GEM as stated in the Stock Exchange's daily quotation sheet on the date of offer of the option or, where certain conditions set out in the Scheme apply, on the date of Board proposing such grant, (b) the average of the closing prices of the Company's shares on GEM as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer of the options or, where certain conditions set out in the Scheme apply, the average of the closing prices of the Company's shares on GEM as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the Board proposing such grant; and (c) the nominal value of the shares. The Scheme became effective for a period of ten years commencing from 25 November 2001. Further details of the Scheme are noted in the Company's prospectus dated 30 November 2001.

At 30 April 2002, no options (2001:Nil) had been granted under the Scheme.

## Notes to the Financial Statements

30 April 2002

## 27. RESERVES

<b>Group</b>	<b>Investment property revaluation reserve</b>	<b>Share premium</b>	<b>Merger reserve</b>	<b>Retained profits</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 May 2000	2,173	–	2,222	9,811	14,206
Revaluation deficit for the year	(400)	–	–	–	(400)
Profit for the year	–	–	–	10,673	10,673
Appropriations from profit	–	–	–	(11,773)	(11,773)
At 30 April 2001 and at 1 May 2001	1,773	–	2,222	8,711	12,706
Revaluation deficit for the year (note 15)	(1,000)	–	–	–	(1,000)
Premium arising from issue of new shares to public	–	23,976	–	–	23,976
Capitalisation of share premium	–	(3,848)	–	–	(3,848)
Share issuance expenditures	–	(5,215)	–	–	(5,215)
Profit for the year	–	–	–	12,078	12,078
At 30 April 2002	773	14,913	2,222	20,789	38,697

The merger reserve arises from a share for share exchange in acquiring subsidiaries. The amount represents the difference between the nominal value of the Company's shares issued and the nominal value of the subsidiaries' shares acquired.

**Company**

	<b>Share premium</b>	<b>Retained profits</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
Premium arising from issue of new shares to public	23,976	–	23,976
Capitalisation of share premium	(3,848)	–	(3,848)
Share issuance expenditures	(5,215)	–	(5,215)
Profit for the period	–	340	340
At 30 April 2002	14,913	340	15,253

## Notes to the Financial Statements

30 April 2002

## 28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash inflow from operating activities:

	2002 HK\$'000	2001 HK\$'000
Profit before taxation	14,384	12,873
Interest income	(184)	(172)
Interest expenses	1,692	2,963
Finance lease charges	318	256
Depreciation	4,212	3,034
Deficit/(Surplus) on revaluation of leasehold properties	125	(123)
Property, plant and equipment written off	–	167
Provision for doubtful debts	7	213
Loss on disposals of property, plant and equipment	–	47
Inventories written off	6	–
(Increase)/Decrease in inventories	(443)	8
Increase in amounts due from customers for contract work	(3,638)	(42)
Increase in trade receivables, net	(2,217)	(18,284)
Decrease/(Increase) in retention money receivables, net	7,544	(4,293)
Increase in prepayments, deposits and other current assets	(879)	(531)
Decrease in amounts due from related companies	7	2,117
(Decrease)/Increase in amounts due to customers for contract work	(2,047)	7,980
(Decrease)/Increase in trade and other payables	(2,083)	4,782
Increase in retention money payables	1,386	1,596
(Decrease)/Increase in import loans, secured	(337)	1,259
Net cash inflow from operating activities	<b>17,853</b>	13,850

## Notes to the Financial Statements

30 April 2002

## 28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the years:

	<b>Share capital and share premium</b>	<b>Bank loans, secured</b>	<b>Obligations under finance leases</b>	<b>Amount due (from)/to a director</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 May 2000	4	19,220	1,737	(10,142)
Inception of finance leases	–	–	1,157	–
Dividend	–	–	–	11,773
Cash inflow/(outflow), net	–	(4,163)	(1,064)	1,310
At 30 April 2001 and 1 May 2001	4	15,057	1,830	2,941
New issue to public by way of placement	24,624	–	–	–
Share issuance expenditures	(5,215)	–	–	–
Inception of finance leases	–	–	2,889	–
Cash outflow, net	–	(1,631)	(1,892)	(1,636)
At 30 April 2002	19,413	13,426	2,827	1,305

(c) Major non-cash transactions:

During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of approximately HK\$2,889,000 (2001: HK\$1,157,000).

## Notes to the Financial Statements

30 April 2002

## 29. COMMITMENTS

## Group

	2002 HK\$'000	2001 HK\$'000
(a) Commitments under operating leases		
(i) Total future minimum lease payments payable under non-cancellable operating leases for land and buildings which fall due as follows:		
Within one year	1,043	1,015
In the second to fifth years, inclusive	2,567	3,247
After five years	–	66
	<b>3,610</b>	4,328
(ii) Total future minimum lease payments receivable under non-cancellable operating leases for land and buildings which fall due as follows:		
Within one year	240	200
In the second to fifth years, inclusive	200	–
	<b>440</b>	200
(b) Other commitments		
Shareholder's loan to a joint venture to be established in Malaysia according to the terms of a preliminary agreement dated 14 December 2001.	1,232	–

## Notes to the Financial Statements

30 April 2002

**30. RELATED PARTY TRANSACTIONS**

In addition to those transactions with related parties disclosed in notes (20) and (23), the following significant related party transactions have been entered into in the normal course of the Group's business during the year:

		<b>2002</b>	2001
		<b>HK\$'000</b>	HK\$'000
<b>Name of related parties</b>	<b>Nature of transactions</b>		
Mr. Woo Siu Lun	Rental expense	<b>130</b>	43
Wui Loong Aluminium Formwork Engineering Company Limited	Transportation service income	–	69
Wui Loong Aluminium Formwork Engineering Company Limited	Subcontracting charges	–	3,435
Realtop International Investment Limited	Consultancy fee	–	2
Anway Consultants Limited	Consultancy fee	–	60
Kong Loong Engineering Consultants Limited	Consultancy fee	–	291

**31. BANKING FACILITIES**

As at 30 April 2002, the Group had aggregate banking facilities of approximately HK\$39,058,000, (2001: HK\$37,857,000). The banking facilities were secured by the Group's leasehold and investment properties and pledged deposits of approximately HK\$9,719,000.

## Notes to the Financial Statements

30 April 2002

### 32. RETIREMENT BENEFITS SCHEME

With effect from 1 December 2000, the Group has arranged for all qualifying employees of its Hong Kong subsidiaries to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). The MPF Scheme is a defined contribution scheme managed by independent trustees. Under the MPF Scheme, each of the Group and its employees makes monthly contribution to the MPF Scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation, subject to a cap of HK\$1,000 per month and thereafter contributions are voluntary.

During the year ended 30 April 2002, the aggregate amount of employer's contribution made by the Group to the MPF Scheme of approximately HK\$1,722,000 (2001: HK\$921,000) was charged to the income statement.

### 33. COMPARATIVE FIGURES

Certain prior year comparative figures have been reclassified to take into account of the requirements of the revised SSAP 14 and in conformity with the current year's presentation.

### 34. CONTINGENT LIABILITIES

At 30 April 2002, the Group had the following contingent liabilities:

- (a) Nineteen employees of the Group have completed the required number of years of service under the Employment Ordinance Chapter 57 of the Laws of Hong Kong (the "Ordinance") to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments where the termination meets the required circumstances specified in the Ordinance. If the termination of all these employees met the circumstances required by the Ordinance, the Group's liability at 30 April 2002 would be approximately HK\$1,104,000 (2001: HK\$1,197,000). No provision has been made for this amount as at 30 April 2002.
- (b) A wholly-owned subsidiary of the Company, Wui Loong Scaffolding Works Company Limited, was subject of a legal action brought by another scaffolding company to revoke a short term patent No.HK1024379 and to have the entry of the patent in the Register of Patents be expunged. As the directors are of the opinion that the above legal action would not have any significant impact on the financial position of the Group, no provision is considered necessary by the directors at the balance sheet date.

Save as disclosed above, the Group did not have any material contingent liabilities at 30 April 2002.

## Notes to the Financial Statements

30 April 2002

### 35. EVENTS AFTER THE BALANCE SHEET DATE

- (a) On 21 May 2002, 28,300,000 share options were granted to certain directors and employees of Group under the Scheme for the subscription of shares of the Company at the subscription price of HK\$0.381 per share. These share options are exercisable from 28 May 2003 to 27 May 2009. The exercise in full of such share options, would, under the present capital structure of the Company, result in the issue of 28,300,000 additional shares.
- (b) On 13 June 2002, the Company announced that a conditional sale and purchase agreement dated 13 June 2002 was entered into by Eternal Champion Limited, a wholly-owned subsidiary of the Company and Sinowide Resources Limited ("Sinowide") to acquire from Sinowide 51% of the entire issued capital of Sinogain Engineering Limited for a total consideration of HK\$3,300,000. Pursuant to the abovementioned conditional sale and purchase agreement, the consideration will be settled by way of allotment and issue of 7,500,000 new shares in the capital of the Company at an issue price of HK\$0.40 per new share and HK\$300,000 cash payment. The transaction was completed in July 2002.

### 36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 22 July 2002.



# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the annual general meeting of shareholders of WLS Holdings Limited (the "Company") will be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 30 August 2002 (Friday) at 2:30 p.m. to transact the following ordinary businesses:

1. to receive, consider and approve the audited consolidated financial statements and the reports of the directors and auditors for the year ended 30 April 2002;
2. to re-elect directors and to authorise the board of directors of the Company (the "Directors") to fix their remuneration;
3. to re-appoint the Company's auditors and to authorise the Directors to fix their remuneration;

and, as special business, to consider and, if thought fit, pass the following resolutions with or without amendments as ordinary resolutions:

## Ordinary Resolutions

4. **THAT:**

- (a) subject to paragraph (c) of this resolution, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with the unissued shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise), issued or dealt with by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the exercise of any option under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment and issue of shares in lieu of the whole or part of a dividend on shares in accordance with the Articles of Association of the Company in force from time to time, shall not exceed the aggregate of:
  - (i) 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and
  - (ii) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution), and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

## NOTICE OF ANNUAL GENERAL MEETING (continued)

(d) for the purposes of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association of the Company or any other applicable laws of the Cayman Islands to be held; and
- (iii) the date on which the authority given under this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors to eligible holders of shares in the Company on the register on a fixed record date in proportion to their then holdings of shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).

### 5. **THAT:**

(a) subject to paragraph (b) of this resolution, the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to repurchase its shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited or any other stock exchange outside Hong Kong on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong (“SFC”) and The Stock Exchange of Hong Kong Limited for such purpose, and otherwise in accordance with the rules and regulations of the SFC, the GEM Listing Rules, the Articles of Association of the Company and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of the Company which may be repurchased by the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly;

(c) for the purposes of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;

- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association of the Company or any other applicable laws of the Cayman Islands to be held; and
- (iii) the date on which the authority given under this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

6. **THAT:**

subject to the ordinary resolutions nos. 4 and 5 above being duly passed, the unconditional general mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with unissued shares pursuant to resolution no. 4 above be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution no. 5 above, provided that such amount shall not exceed 10 percent of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution.

By order of the Board  
**WLS Holdings Limited**  
**So Yu Shing**  
*Chairman*

Hong Kong, 30 July 2002

*Head office and principal place of  
business in Hong Kong:*

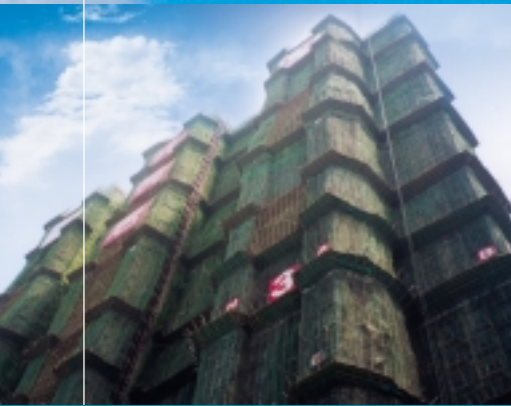
Rooms 601-603 and 605  
Southmark  
No. 11 Yip Hing Street  
Wong Chuk Hang  
Aberdeen  
Hong Kong

*Notes:*

1. A shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of Memorandum and Articles of Association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Company's Hong Kong branch registrar, Tengis Ltd, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than forty-eight hours before the time for holding the meeting or any adjourned meeting.
3. In relation to the proposed resolutions nos. 4 and 6 above, approval is being sought from the shareholders of the Company for the grant to the Directors of a general mandate to authorise the allotment and issue of shares under the GEM Listing Rules. The Directors have no immediate plan to issue any new shares of the Company other than shares which may fall to be issued under the share option scheme of the Company or any scrip dividend scheme which may be approved by shareholders of the Company.
4. In relation to the proposed resolution no. 5 above, the Directors wish to state that they will exercise the powers conferred thereby to repurchase shares in circumstances which they deem appropriate for the benefit of the shareholders of the Company. An explanatory statement containing the information necessary to enable the shareholders of the Company to make an informed decision to vote on the proposed resolution as required by the GEM Listing Rules will be set out in a separate document to be despatched to the shareholders of the Company with the annual report for the year ended 30 April 2002.

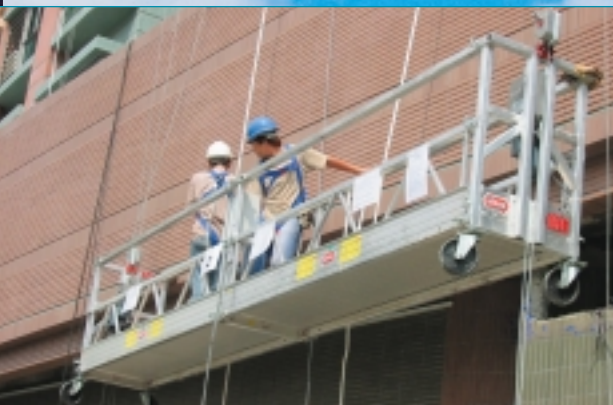
# Our Projects

			6	7	
1	2	3			8
	4		9	10	
		5		11	





- 1 昇悦居 Liberte
- 2 數碼港發電站 275KV Cyberport 275KV sub-station
- 3 香港理工大學學生宿舍 Hong Kong Polytechnic University Student Hostel
- 4 淺水灣斜坡竹棚維修 Repulse Bay slope maintenance bamboo scaffold
- 5 淺水灣斜坡鐵棚維修 Repulse Bay slope maintenance metal scaffold
- 6 淺水灣道 129 號 129 Repulse Bay Road
- 7 維景灣畔 Ocean Shores
- 8 荃灣中心 - 維修棚架 Tsuen Wan Centre building renovation scaffold
- 9 將軍澳中心 Park Central
- 10 紅灣半島 PSPS Development at Hung Hom Bay Reclamation Area
- 11 愛琴海岸 Aegean Coast, TMTL 374, So Kun Wat, Tuen Mun



# 我們的項目

