



WLS Holdings Limited

滙隆控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Interim Report 2002/2003

* *For identification purposes only*

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

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

This report, for which the directors (“the Directors”) of WLS Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are found on bases and assumptions that are fair and reasonable.

SUMMARY OF RESULTS

- The Group recorded a turnover of approximately HK\$73,725,000 for the six months ended 31 October 2002, representing a decrease of 17% from the corresponding period in 2001.
- Net profit attributable to shareholders for the six months ended 31 October 2002 was approximately HK\$4,608,000.
- The Directors recommend an interim dividend of HK0.50 cent per share for the six months ended 31 October 2002.

The Board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (together the “Group”) for the three months and the six months ended 31 October 2002 together with the comparative unaudited figures for the corresponding periods in 2001 as follows:

CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 31 October 2002

		For the three months ended 31 October		For the six months ended 31 October	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
	Notes				
Turnover	2	35,451	53,923	73,725	88,783
Cost of sales		(28,576)	(44,333)	(59,050)	(71,244)
Gross profit		6,875	9,590	14,675	17,539
Other revenue		214	281	474	508
Administrative expenses		(4,237)	(4,846)	(9,140)	(9,483)
Other operating expenses		–	(124)	–	(124)
Profit from operations	4	2,852	4,901	6,009	8,440
Finance costs	5	(277)	(639)	(564)	(1,275)
Profit before taxation		2,575	4,262	5,445	7,165
Taxation	6	(353)	(758)	(950)	(1,425)
Profit before minority interests		2,222	3,504	4,495	5,740
Minority interests		88	–	113	–
Net profit attributable to shareholders		2,310	3,504	4,608	5,740
Dividend per share	7	0.50 cent	–	0.50 cent	–
Earnings per share					
– basic	8	0.50 cent	0.91 cent	1.01 cents	1.49 cents

CONSOLIDATED BALANCE SHEET

		At 31 October 2002 (Unaudited) HK\$'000	At 30 April 2002 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	9	24,000	23,011
Investment property		4,000	4,000
Long term retention money receivable, net		3,801	3,746
Goodwill	10	4,354	—
		36,155	30,757
CURRENT ASSETS			
Inventories		612	479
Amounts due from customers for contract work		12,566	7,771
Trade receivable, net	11	51,284	48,630
Retention money receivable, net		2,884	2,440
Amounts due to minority shareholders		179	—
Prepayments, deposits and other current assets		1,571	1,573
Pledged deposits		8,442	9,719
Bank and cash balances		4,217	5,298
		81,755	75,910
CURRENT LIABILITIES			
Amounts due to customers for contract work		15,669	17,675
Trade and other payables	12	14,601	13,000
Retention money payable		4,990	6,524
Amount due to a director		155	1,305
Bills payable, secured		2,473	—
Import loans, secured		—	317
Bank loans, secured – due within one year		7,283	5,996
Obligations under finance leases – due within one year		2,698	1,892
Bank overdrafts, secured		6,516	2,544
Provision for taxation		5,475	4,635
		59,860	53,888
NET CURRENT ASSETS		21,895	22,022
TOTAL ASSETS LESS CURRENT LIABILITIES		58,050	52,779
NON-CURRENT LIABILITIES			
Bank loans, secured – due after one year		5,721	7,430
Obligations under finance leases – due after one year		197	935
Deferred taxation		1,327	1,217
		7,245	9,582
NET ASSETS		50,805	43,197
CAPITAL AND RESERVES			
Share capital	13	4,575	4,500
Reserves		46,230	38,697
SHAREHOLDERS' FUNDS		50,805	43,197

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 October 2002

	Six months ended 31 October	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Net cash (outflow)/inflow from operating activities	(127)	11,933
Net cash outflow from returns on investments and servicing of finance	(476)	(1,176)
Tax paid, net	–	(521)
Net cash outflow from investing activities	<u>(3,780)</u>	<u>(11,597)</u>
Net cash outflow before financing activities	(4,383)	(1,361)
Net cash (outflow)/inflow from financing activities	<u>(670)</u>	<u>201</u>
Decrease in cash and cash equivalents	(5,053)	(1,160)
Cash and cash equivalents at 1 May	<u>2,754</u>	<u>(9,233)</u>
Cash and cash equivalents at 31 October	<u><u>(2,299)</u></u>	<u><u>(10,393)</u></u>
Analysis of the balances of cash and cash equivalents:		
Short term bank deposits	3,500	–
Bank and cash balances	717	386
Bank overdrafts	<u>(6,516)</u>	<u>(10,779)</u>
	<u><u>(2,299)</u></u>	<u><u>(10,393)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2002

(Unaudited)	Share capital <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Proposed interim dividend <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 May 2002	4,500	773	14,913	2,222	20,789	–	43,197
Issue of new shares at premium on acquisition of a subsidiary	75	–	2,925	–	–	–	3,000
Profit for the period	–	–	–	–	4,608	–	4,608
2003 interim dividend proposed	–	–	–	–	(2,288)	2,288	–
At 31 October 2002	<u>4,575</u>	<u>773</u>	<u>17,838</u>	<u>2,222</u>	<u>23,109</u>	<u>2,288</u>	<u>50,805</u>
(Unaudited)							
At 1 May 2001	4	1,773	–	2,222	8,711	–	12,710
Revaluation deficit on investment property	–	(1,000)	–	–	–	–	(1,000)
Profit for the period	–	–	–	–	5,740	–	5,740
At 31 October 2001	<u>4</u>	<u>773</u>	<u>–</u>	<u>2,222</u>	<u>14,451</u>	<u>–</u>	<u>17,450</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Group reorganisation and basis of preparation

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 group structure in preparation for the listing of the Company’s shares on GEM, the Company became the holding company of the Group 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 are set out in the Company’s prospectus dated 30 November 2001. The shares of the Company were listed on GEM of the Stock Exchange on 7 December 2001 (the “Listing Date”).

The Reorganisation involved companies under common control, and the Group resulting from the Reorganisation is regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the Group’s unaudited condensed consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the respective financial periods. All significant intra-group transactions, balances and the resulting unrealised profit have been eliminated on consolidation.

These unaudited condensed consolidated financial statements are prepared in accordance with the Hong Kong Statement of Standard Accounting Practice (“SSAP”) 2.125, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants and the GEM Listing Rules as well as the accounting principles generally accepted in Hong Kong.

The accounting policies used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 April 2002, except for the adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2002 :

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statments
SSAP 25 (revised)	:	Interim financial reporting
SSAP 34	:	Employee benefits

The adoption of these new and revised SSAPs has no material effect on the Group’s results.

2. Turnover

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

	For the three months ended 31 October		For the six months ended 31 October	
	2002	2001	2002	2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Contract revenue	34,705	53,923	71,939	88,783
Gondolas services incomes	746	—	1,754	—
Consultancy services incomes	—	—	32	—
	<u>35,451</u>	<u>53,923</u>	<u>73,725</u>	<u>88,783</u>

3. Segmental Information

For the three months and six months ended 31 October 2002, 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 arising from scaffolding business. Accordingly, no business segmental information is prepared by the Group. In view of the fact that all the Group's revenue was derived from activities conducted in Hong Kong and all its assets are located in Hong Kong, no geographical segmental information is presented.

4. Profit from operations

Profit from operations is stated after (crediting)/charging the following:

	For the three months ended 31 October		For the six months ended 31 October	
	2002	2001	2002	2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deficit/(surplus) on revaluation of leasehold properties	–	125	–	125
Amortisation of goodwill	–	–	247	–
Depreciation:				
Owned property, plant and equipment	1,071	738	2,045	1,331
Leased property, plant and equipment	300	223	627	439
	<u>1,371</u>	<u>961</u>	<u>2,672</u>	<u>1,770</u>

5. Finance costs

The finance costs comprise:

	For the three months ended 31 October		For the six months ended 31 October	
	2002	2001	2002	2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest and charges	181	537	428	1,094
Finance lease charges	96	102	136	181
	<u>277</u>	<u>639</u>	<u>564</u>	<u>1,275</u>

6. Taxation

The taxation charge comprises:

	For the three months ended 31 October		For the six months ended 31 October	
	2002	2001	2002	2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax				
– current	300	588	840	1,186
– deferred	53	170	110	239
	<u>353</u>	<u>758</u>	<u>950</u>	<u>1,425</u>

Hong Kong profits tax was provided at the rate of 16% for the three months and the six months ended 31 October 2002 (2001: 16% for respective periods) on the estimated assessable profits arising in or derived from Hong Kong.

7. Dividend per share

The Board recommends the payment of an interim dividend of HK0.50 cent per share for the six months ended 31 October 2002 (six months ended 31 October 2001: Nil).

8. Earnings per share

The calculation of the basic earnings per share is based on the unaudited net profit attributable to shareholders for the three months and six months ended 31 October 2002 of approximately HK\$2,310,000 and HK\$4,608,000, respectively (three months and six months ended 31 October 2001: approximately HK\$3,504,000 and HK\$5,740,000 respectively) and the weighted average number of 457,500,000 ordinary shares and 454,932,000 ordinary shares for the respective periods (2001: 385,200,000 shares for the respective periods).

Diluted earnings per share for the three months and six months ended 31 October 2002 are not shown because the exercise price of the Company's outstanding share options was higher than the average market price. Therefore, there is no dilutive effect on the earnings per share for the respective periods. The Company had no dilutive potential ordinary shares outstanding during the three months and six months ended 31 October 2002.

9. Additions to property, plant and equipment

During the six months ended 31 October 2002, the Group had material acquisition of metal tubes and catwalk at a cost of approximately HK\$3,068,000 (six months ended 31 October 2001: HK\$5,612,000). They are held for business purpose.

10. Goodwill

The goodwill arose from the acquisition of a company, namely Sinogain Engineering Limited (“Sinogain”), for 51% issued share capital and another 19% issued share capital of Sinogain in July 2002 and October 2002 respectively. Goodwill arising on acquisition of subsidiaries is capitalised and amortised on a straight-line basis over its useful economic life.

11. Trade receivable, net

	At 31 October 2002 (Unaudited) HK\$'000	At 30 April 2002 (Audited) HK\$'000
Trade receivable	53,576	50,885
Less: Provision for doubtful debts	(2,292)	(2,255)
Trade receivable, net	<u>51,284</u>	<u>48,630</u>

The credit terms given to each individual customer were in accordance with the payment terms stipulated in the relevant tenders or contracts. An aged analysis of trade receivable is as follows:

	At 31 October 2002 (Unaudited) HK\$'000	At 30 April 2002 (Audited) HK\$'000
0 to 90 days	24,700	31,673
91 to 180 days	10,995	10,459
181 to 270 days	6,606	4,102
271 to 360 days	7,295	500
over 360 days	3,980	4,151
	<u>53,576</u>	<u>50,885</u>

12. Trade and other payables

	At 31 October 2002 (Unaudited) HK\$'000	At 30 April 2002 (Audited) HK\$'000
Trade payables	9,594	7,518
Other payables	5,007	5,482
	<u>14,601</u>	<u>13,000</u>

The following is an aged analysis of trade payables:

	At 31 October 2002 (Unaudited) HK\$'000	At 30 April 2002 (Audited) HK\$'000
0 to 90 days	8,715	6,919
91 to 180 days	264	309
181 to 270 days	588	216
271 to 360 days	—	51
over 360 days	27	23
	<u>9,594</u>	<u>7,518</u>

13. Share capital

	At 31 October 2002 (Unaudited) HK\$'000	At 30 April 2002 (Audited) HK\$'000
Authorised: 800,000,000 ordinary shares of HK\$0.01 each	<u>8,000</u>	<u>8,000</u>
Issued and fully paid: 457,500,000 ordinary shares of HK\$0.01 each (as at 30 April 2002: 450,000,000 ordinary shares of HK\$0.01 each)	<u>4,575</u>	<u>4,500</u>

14. Contingent liabilities

As at 31 October 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 31 October 2002 would be approximately HK\$1,220,000 (as at 30 April 2002: HK\$1,104,000). No provision has been made for this amount as at 31 October 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 report date.

Save as disclosed above, the Group did not have any material contingent liabilities at 31 October 2002.

INTERIM DIVIDEND

The Board recommends the payment of an interim dividend of HK0.50 cent per share for the six months ended 31 October 2002 (six months ended 31 October 2001: Nil). The dividend will be payable on 9 January 2003 to shareholders whose names appear on the Register of Members of the Company on 2 January 2003. The Register of Members will be closed between 28 December 2002 and 2 January 2003 (both dates inclusive) during which no transfer of the Company’s shares will be effected. To qualify for the aforesaid interim dividend, all completed transfer forms, accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong branch share registrar Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong by 4:00 p.m. on 27 December 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

For the six months ended 31 October 2002, turnover of the Group amounted to approximately HK\$73,725,000, representing a decrease of about 17.0% as compared with that of the corresponding period in 2001. Profit attributable to shareholders for the six months ended 31 October 2002 was approximately HK\$4,608,000 which is equivalent to a decrease of about 19.7% from that of the corresponding period in 2001.

Despite the continued sluggishness of the Hong Kong property market, the Group succeeded in maintaining its gross profit margin and had in fact increased its market share. At the same time, the Group's efforts in diversifying into providing scaffolding for the renovation sector began to have significant results. During the six months ended 31 October 2002, a total of six works contracts for the provision of scaffolding for renovation purposes were awarded to the Group. The management has adopted a buoyant view that the Group's expansion in the renovation sector, with the resulting increase in revenue, would more than compensate the negative impact on turnover caused by the drop in market price of scaffolding provided to the private construction sector.

To facilitate the promotion of MBMSS, gondolas and other products and services of our Group in the People's Republic of China (the "PRC"), a branch was set up in Shanghai to tap the abundant opportunities presented by the hosting of the 2008 Olympic Games in Beijing and the World Expo 2010 in Shanghai, both of which will definitely require extensive scaffolding and numerous gondolas for the construction of stadiums, buildings and other infrastructures.

In an effort to consolidate the Group's position in the market for the supply of permanent gondolas, the shareholding in Sinogain was increased to 70% following the acquisition of an additional 19% of the entire issued share capital of Sinogain in October 2002.

Financial review

For the six months ended 31 October 2002, the Group recorded a turnover of approximately HK\$73,725,000, representing a decrease of about 17.0% as compared to the corresponding period in 2001. The net profit attributable to shareholders was approximately HK\$4,608,000 for the six months ended 31 October 2002, representing a decrease of about 19.7% as compared to the corresponding period in last year. The drop in net profit attributable to shareholders was in line with the decrease in turnover. The decrease in turnover was largely due to a drop in contract revenue of scaffolding works. As a consequence of the governmental housing policy,

the tendering process of projects for new buildings experienced a slowdown during the period under review. As the Government of the Hong Kong Special Administrative Region has proposed several effective measures to bolster up the property market in Hong Kong in November 2002, a probable rebound of the local property market could result in the coming years.

Liquidity, financial resources and gearing

During the period 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 31 October 2002, the Group's consolidated shareholders' funds and net current assets were about HK\$50,805,000 (as at 30 April 2002: HK\$43,197,000), HK\$21,895,000 (as at 30 April 2002: HK\$22,022,000) respectively. The increase in shareholders' funds was due to the issue of new shares for acquisition of Sinogain and operating profits for the period under review. As at 31 October 2002, the Group's consolidated total borrowings (bank borrowings and obligations under finance leases) amounted to approximately HK\$15,899,000 (as at 30 April 2002: HK\$16,253,000). As at 31 October 2002, the Group's bank and cash balances and pledged deposits in banks amounted to about HK\$4,217,000 (as at 30 April 2002: HK\$5,298,000) and about HK\$8,442,000 (as at 30 April 2002: \$9,719,000) respectively.

As at 31 October 2002, the Group's gearing ratio (basis: total borrowings divided by shareholders' funds) was 31% (as at 30 April 2002: 38%).

The Board believes 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.

Segmental information

For the three months and six months ended 31 October 2002, 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 arising from scaffolding business. Accordingly, no business segmental information is prepared by the Group. In view of the fact that all the Group's revenue was derived from activities conducted in Hong Kong and all its assets are located in Hong Kong, no geographical segmental information is presented.

Charges on assets

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

	At 31 October 2002 (Unaudited) HK\$'000	At 30 April 2002 (Audited) HK\$'000
Investment property	4,000	4,000
Leasehold properties	5,809	5,874
Motor vehicles	277	1,374
Gondolas	3,245	2,391
Pledged deposits	8,442	9,719
	<u>21,773</u>	<u>23,358</u>

Foreign exchange exposure

As the Group's assets and liabilities are mainly denominated in Hong Kong dollars, the Board does not consider that the Group is significantly exposed to any material foreign currency exchange risk.

Employees and remuneration policies

The total number of full-time employees in the Group was 240 at 31 October 2002 (as at 30 April 2002: 248). The Group remunerated its employees on the basis of performance, experience, and the prevailing industry practice. In addition to salaries, employee benefits included medical scheme, insurance, mandatory provident fund and share option schemes.

COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL PROGRESS

The following is a comparison of the actual business progress to the business objectives as stated in the Company's Prospectus (the "Prospectus") dated 30 November 2001.

Comparison of Business Objectives & Actual Progress

Business Objectives for the

six months ending 31 October 2002

Actual Progress for the

six months ending 31 October 2002

Metal Scaffolds

Review feedback and market acceptance

Product is highly accepted by the market. Feedback and suggestions by users and main contractors were collected to be used for product improvement. The market trend was perceived to favour metal tubular scaffold

Review the pricing strategy for tender

Strategy for fixing tender price was thoroughly reviewed and examined based on the current market situation of the industry in a bid to formulating an optimal pricing strategy

MBMSS

Review the pricing strategy of MBMSS in comparison to metal and bamboo scaffolding system in Hong Kong and South East Asian markets

The readily accepted market price of MBMSS was in the decline. A decision was reached to charge a uniform price for MBMSS in both Hong Kong and the South East Asian markets. The only exception was that some room existed for a lower unit rate to be charged for MBMSS used in projects located in Macau in order to facilitate the penetration into and development of the Macau market

Continue to promote in Hong Kong and South East Asian markets	Staff attended seminars, symposiums and exhibitions to promote MBMSS. Trips were made to Macau, Korea and Malaysia to promote MBMSS
Identify local partners in Thailand	Having considered the country risk involved, the plan to pursue this endeavour of identifying local partners in Thailand was scrapped

Gondola Business

Review feedback and market acceptance of gondolas	Level of market acceptance was exceedingly high and numerous invitations to tender were received. Encouragingly positive feedbacks were obtained from clients in regard to the quality of gondola rental services
Formulate pricing strategy and establish business relationship with target clients in Hong Kong	Pricing strategy was formulated and contacts with target clients had commenced with a view to developing closer business relationship with them

Product Enhancement and Development

Launch new scaffolding system to the Hong Kong market	The design stage of a new scaffolding system had already been completed. This new product entered the stage of OEM logistics planning and pricing strategy formulation.
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Sales and Marketing

Advertising and promotion work for Hong Kong and South East Asian Markets	Marketing efforts were exerted and resources were deployed on advertising to continually improve and enrich marketing brochures and other promotional materials to cater to the specific requirements of the Hong Kong and South East Asian Markets
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USE OF PROCEEDS

The net proceeds after deducting the listing expenses had been utilised in the manner as set out in the Prospectus and applied as follows :

	Planned use of proceeds according to the Prospectus <i>HK\$'000</i>	Actual amount utilised up from the Listing Date to 31 October 2002 <i>HK\$'000</i>
For gondola business	1,500	1,500
For system scaffold business (metal scaffold)	750	574
For MBMSS business	3,100	2,940
For product enhancement development	1,100	167
For sales and marketing	550	550
As additional working capital for the Group	5,000	5,000
	<u>12,000</u>	<u>10,731</u>

The Board expects that the unutilised amount of the proceeds will be applied in the manner as set out in the Prospectus. The unutilised proceeds will be placed on deposit with licensed financial institutions in Hong Kong.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 October 2002, the interests of the Directors in the securities of the Company as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

a. Ordinary shares

Name	Number of shares of the Company			Percentage of voting power
	Personal interests	Family interests	Corporate interests	
Mr. So Yu Shing	242,215,000	—	—	52.94%
Ms. Lai Yuen Mei, Rebecca	74,225,000	—	—	16.22%
Mr. Woo Siu Lun	19,260,000	—	—	4.21%

b. Outstanding share options

In May 2002, 28,300,000 share options were granted to certain directors and employees of the Group to subscribe for ordinary shares of the Company at the subscription price of HK\$0.381 per share under the existing Share Option Scheme. The above-mentioned share options are exercisable from 28 May 2003 to 27 May 2009. The exercise in full of such share option would, under the present capital structure of the Company, result in the issue of 28,300,000 additional shares.

As at 31 October 2002, the details of the grant of share options to the directors of the Company were as follows:

Name	Number of Underlying Shares
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

DIRECTORS' RIGHT TO SUBSCRIBE FOR EQUITY OR DEBT SECURITIES

None of the Directors or their spouse or children under the age of 18 was granted by the Company or any of its subsidiaries any right to subscribe for equity or debt securities of the Company or any body corporate, or had exercised any such right as at 31 October 2002.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 October 2002, the following entities had or deemed to have interests of ten percent or more of the issued share capital of the Company, as recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of voting power
Mr. So Yu Shing	242,215,000	52.94%
Ms. Lai Yuen Mei, Rebecca	74,225,000	16.22%

Save as disclosed above, as at 31 October 2002, the Company has not been notified of any other interests representing 10% or more of the entire issued share capital of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

None of the members of the Group had purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 October 2002.

SPONSOR'S INTERESTS

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

None of CSC Asia, its directors, employees or 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 31 October 2002.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

In the Opinion of the Directors, the Company has complied with Rule 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures during the six months ended 31 October 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.

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.

By order of the Board
So Yu Shing
Chairman

Hong Kong, 13 December 2002