



WLS Holdings Limited

滙隆控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Interim Report 2003/2004

* *For identification purposes only*

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

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

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

The principal means of information dissemination on GEM is publication on the Internet website operated by the Exchange. 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.

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

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

The Board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (together the “Group”) for the three months and the six months ended 31 October 2003 together with the comparative unaudited figures for the corresponding periods in 2002 as follows:

CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 31 October 2003

		For the three months ended 31 October		For the six months ended 31 October	
		2003	2002	2003	2002
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	33,498	35,451	68,082	73,725
Cost of sales		(26,975)	(28,576)	(54,550)	(59,050)
Gross profit		6,523	6,875	13,532	14,675
Other revenue		222	214	295	474
Administrative expenses		(6,281)	(4,237)	(11,894)	(9,140)
Profit from operations	4	464	2,852	1,933	6,009
Finance costs		(433)	(277)	(801)	(564)
Profit before taxation		31	2,575	1,132	5,445
Taxation	5	319	(353)	(233)	(950)
Profit before minority interests		350	2,222	899	4,495
Minority interests		(8)	88	44	113
Net profit attributable to shareholders		342	2,310	943	4,608
Dividend per share	6	–	0.50 cent	–	0.50 cent
Earnings per share – basic	7	0.07 cent	0.50 cent	0.21 cent	1.01 cents

CONSOLIDATED BALANCE SHEET

		At 31 October 2003 (Unaudited) <i>HK\$'000</i>	At 30 April 2003 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		24,745	27,669
Investment property		3,800	3,800
Goodwill		3,752	3,967
Interest in a jointly controlled entity		98	98
		<u>32,395</u>	<u>35,534</u>
CURRENT ASSETS			
Inventories		436	183
Trade receivable	8	45,820	44,918
Amounts due from customers for contract work		25,370	11,708
Prepayments, deposits and other current assets		7,686	4,113
Tax recoverable		175	175
Pledged bank deposits		3,043	3,028
Bank and cash balances		3,348	3,609
		<u>85,878</u>	<u>67,734</u>
CURRENT LIABILITIES			
Amounts due to customers for contract work		7,955	3,359
Trade and other payables	9	15,155	12,387
Retention money payable		5,561	4,945
Bills payable		180	709
Tax liabilities		882	531
Obligations under finance leases		736	1,832
Bank borrowings, secured		7,703	7,120
Bank borrowings, unsecured		23,250	16,928
		<u>61,422</u>	<u>47,811</u>
NET CURRENT ASSETS		<u>24,456</u>	<u>19,923</u>
		<u>56,851</u>	<u>55,457</u>

CONSOLIDATED BALANCE SHEET (continued)

	At 31 October 2003 (Unaudited) <i>HK\$'000</i>	At 30 April 2003 (Audited) <i>HK\$'000</i>
	<i>Notes</i>	
CAPITAL AND RESERVES		
Share capital	4,575	4,575
Reserves	43,310	42,367
	<hr/> 47,885 <hr/>	<hr/> 46,942 <hr/>
MINORITY INTEREST		
	<hr/> (335) <hr/>	<hr/> (290) <hr/>
NON-CURRENT LIABILITIES		
Obligations under finance leases	1,169	1,220
Bank borrowings, secured	5,598	4,934
Deferred taxation	1,614	1,731
Provision for long service payments	920	920
	<hr/> 9,301 <hr/>	<hr/> 8,805 <hr/>
	<hr/> 56,851 <hr/> <hr/>	<hr/> 55,457 <hr/> <hr/>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 October 2003

	Six months ended 31 October 2003 (Unaudited) <i>HK\$'000</i>	Six months ended 31 October 2002 (Unaudited) <i>HK\$'000</i>
Net cash outflow from operating activities	(5,255)	(127)
Net cash outflow from returns on investments and servicing of finance	(777)	(476)
Tax paid, net	–	–
Net cash outflow from investing activities	<u>(652)</u>	<u>(3,780)</u>
Net cash outflow before financing activities	(6,684)	(4,383)
Net cash inflow/(outflow) from financing activities	<u>2,326</u>	<u>(670)</u>
Decrease in cash and cash equivalents	(4,358)	(5,053)
Cash and cash equivalents at 1 May	<u>(13,454)</u>	<u>2,754</u>
Cash and cash equivalents at 31 October	<u><u>(17,812)</u></u>	<u><u>(2,299)</u></u>
Analysis of the balances of cash and cash equivalents:		
Bank and cash balances	3,348	4,217
Bank overdrafts	<u>(21,160)</u>	<u>(6,516)</u>
	<u><u>(17,812)</u></u>	<u><u>(2,299)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2003

	Share capital	Investment property revaluation reserve	Share premium	Merger reserve	Retained Profits	Proposed interim dividend	Total
(Unaudited)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 May 2003	4,575	573	17,463	2,222	22,109	–	46,942
Profit for the period	–	–	–	–	943	–	943
At 31 October 2003	<u>4,575</u>	<u>573</u>	<u>17,463</u>	<u>2,222</u>	<u>23,052</u>	<u>–</u>	<u>47,885</u>
(Unaudited)							
At 1 May 2002	4,500	773	14,913	2,222	20,242	–	42,650
Issue of new shares at premium on acquisition of a subsidiary	75	–	2,550	–	–	–	2,625
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>17,463</u>	<u>2,222</u>	<u>22,562</u>	<u>2,288</u>	<u>49,883</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements have been 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 unaudited condensed consolidated financial statements have been prepared under the historical cost convention. The accounting policies adopted in preparing the unaudited condensed consolidated financial statements are consistent with those followed in the Company’s Annual Report 2003.

For the current period, the Group has adopted SSAP12 (Revised) “Income Taxes” and the said adoption has not had any material effect for the current or prior periods. Accordingly, no prior period adjustment was required.

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	
	2003	2002	2003	2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Turnover				
Contract revenue in respect of construction and building works for the provision of				
– scaffolding service	32,125	34,705	65,537	71,939
– suspended ceiling installation	816	–	1,552	–
Gondolas services incomes	557	746	993	1,754
Consultancy services incomes	–	–	–	32
	<u>33,498</u>	<u>35,451</u>	<u>68,082</u>	<u>73,725</u>

3. Segmental Information

For the three months and six months ended 31 October 2003, 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 charging the following:

	For the three months ended 31 October		For the six months ended 31 October	
	2003	2002	2003	2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of goodwill	107	–	215	247
Depreciation	<u>1,752</u>	<u>1,371</u>	<u>3,491</u>	<u>2,672</u>

5. Taxation

The taxation charge (credit) comprises:

	For the three months ended 31 October		For the six months ended 31 October	
	2003	2002	2003	2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax				
– current	159	300	349	840
– deferred	<u>(478)</u>	<u>53</u>	<u>(116)</u>	<u>110</u>
	<u>(319)</u>	<u>353</u>	<u>233</u>	<u>950</u>

Hong Kong profits tax was provided at the rate of 17.5% for the three months and the six months ended 31 October 2003 (2002: 16% for respective periods) on the estimated assessable profits arising in or derived from Hong Kong.

6. Dividend per share

The Board does not recommend the payment of an interim dividend for the six months ended 31 October 2003 (six months ended 31 October 2002: HK0.50 cent per share).

7. 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 2003 of approximately HK\$342,000 and HK\$943,000, respectively (three months and six months ended 31 October 2002: approximately HK\$2,310,000 and HK\$4,608,000 respectively) and the weighted average number of 457,500,000 ordinary shares for the respective periods (2002: 457,500,000 ordinary shares and 454,932,000 ordinary shares for the respective periods).

No diluted earnings per share for the three months and six months ended 31 October 2003 has been presented because the exercising price of the Company's outstanding share options was higher than the average market prices of the shares during the periods. No diluted earnings per share was presented in prior periods as the Company had no dilutive potential shares during the prior periods.

8. Trade receivable

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

	At 31 October 2003 (Unaudited) HK\$'000	At 30 April 2003 (Audited) HK\$'000
0 to 90 days	26,513	26,640
91 to 180 days	6,135	8,004
181 to 270 days	3,808	2,144
Over 270 days	2,347	1,805
	38,803	38,593
Retention money receivables	7,017	6,325
	45,820	44,918

9. Trade and other payables

Included in trade and other payables are trade payables of HK\$11,114,000 (as at 30 April 2003: HK\$8,019,000) with an aged analysis of trade payables shown as follow:

	At 31 October 2003 (Unaudited) HK\$'000	At 30 April 2003 (Audited) HK\$'000
0 to 90 days	9,359	6,217
91 to 180 days	759	920
181 to 270 days	367	313
Over 270 days	629	569
	<hr/> 11,114 <hr/>	<hr/> 8,019 <hr/>

10. Contingent liabilities

As at 31 October 2003, the Group had the following contingent liabilities:

- (a) A wholly-owned subsidiary of the Company, Wui Loong Scaffolding Works Company Limited (“WL Scaffolding”), was subject to 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.

On 15 July 2003, WL Scaffolding consented to the revocation of the short-term patent. The Directors are of the view that the potential impact on the financial position and the business operation of the Group resulting from the revocation of the short-term patent is not material since the invalidation of the short-term patent does not prevent the Group from continuing to work the scaffolding structure as particularly described in the short-term patent although WL Scaffolding will not be able to sue others for infringement of the short-term patent.

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.

- (b) The Group provided counter indemnities amounting to HK\$946,000 (as at 30 April 2003: HK\$912,000) to banks for surety bonds issued by the banks in respect of scaffolding works and mobile cleaning systems contracts.

- (c) The Company provided corporate guarantees to the extent of approximately HK\$102,000,000 (as at 30 April 2003: HK\$91,770,000) to banks and financial institutions to secure general banking facilities granted to certain subsidiaries.

Save as disclosed above, the Group did not have any material contingent liabilities at 31 October 2003.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 October 2003 (six months ended 31 October 2002: HK0.50 cent).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

For the six months ended 31 October 2003, turnover of the Group amounted to approximately HK\$68,082,000, representing a decrease of about 8% as compared with that of the corresponding period in 2002. Profit attributable to shareholders for the six months ended 31 October 2003 was approximately HK\$943,000, which is equivalent to a decrease of about 79% from that of the corresponding period in 2002.

During the six months ended 31 October 2003, the Group continued to consolidate its core business in the scaffolding industry whilst deploying resources to its other business units in an attempt to accomplish its business objective of “provision of multiple products through a single business entry point”.

A total of five new contracts for the provision of scaffolding for the repair and renovation sector were secured during the period under review. In addition, the Group participated in the Hong Kong Disneyland Project by being awarded two packaged deals which included construction-related works other than scaffolding. The involvement of the Group in rendering service to large-scale commercial construction projects such as the Hong Kong Disneyland will undoubtedly enhance the goodwill and image of the Group.

During the six months ended 31 October 2003, business expansion of both the temporary and permanent gondola units continued. The temporary gondola business unit was awarded seven works contracts. The permanent gondola business unit, operating under Sinogain Engineering Limited which is 70% owned by the Company, successfully secured a total of four contracts for the supply and installation of permanent gondolas with accessories to the main contractors in Hong Kong. The total value of the new works contracts secured by both the temporary and permanent gondola business units reached HK\$10 million.

During the period under review, vigorous marketing efforts were exerted to promote business development in the suspended ceiling installation. Wui Luen Engineering Company Limited, a subsidiary of the Company, was awarded four new contracts with a total value approaching HK\$8 million for the supply and installation of suspended ceilings.

In regard to the International Business Division, the Group commenced to operate in the city of Shanghai in the People's Republic of China (the "PRC") through a wholly-owned subsidiary following the grant of a licence by the Government of the PRC. At the same time, the three scaffolding works contracts with total contract value exceeding HK\$10 million awarded to the Group by main contractors in the Special Administrative Region of Macau progressed according to plan and served as a 'signature rendition' of the Group's renowned Metal-Bamboo Matrix System Scaffolding in Macau. Taking into account the notable advantages and excellent track record of increased safety, flexibility and durability afforded by the Group's Metal-Bamboo Matrix System Scaffolding, it is poised in its established position as a prominent market leader in the scaffolding sector to participate in the current and upcoming large-scale commercial and infra-structure construction projects in Macau.

As a result of the efforts of the Research and Development Division, the sample of second generation metal scaffolding demonstrated good results in usage during its testing stage. Production of the first batch of H-frame metal scaffolds was commissioned and this product was planned to be launched in the market as a WLS brand of H-frame scaffolds within the next six months. The technological breakthrough provided by the WLS brand of H-frame metal scaffolds serves the purpose of bringing about a substantial saving in labour costs in its erection process. In addition, the design of the ingenious cost-saving one-lock coupling device was improved and market research showed this product has great potential in both the Hong Kong and the PRC markets. Such innovative and efficient products underline and reinforce the strategic thinking of the management of the Group to emphasise the importance of research and development activities and its constant commitment and mission to maximise shareholders' value.

With respect to the business and economic outlook, as Hong Kong steps out of the SARS (Severe Acute Respiratory Syndrome) threat and economic recovery is gaining momentum, earnings expectations of the majority of Hong Kong industries appear to have bottomed after bouts of consensus downgrades in the first half of 2003 and predictions of business performance turned optimistic. Moreover, the signing of the Closer Economic Partnership Arrangement ("CEPA") denotes the efforts of both the PRC and the Hong Kong Special Administrative Region governments to strengthen cross-border ties with a view to providing a framework for the gradual formation of a free trade area between the Mainland and the Hong Kong Special Administrative Region and represents a significant step towards economic integration with the PRC.

On top of that, the weakening of the exchange rate of the Hong Kong dollar along with the US Dollar means the relatively cheaper local currency can help to improve competitiveness and bolster Hong Kong's export volume and serves to starve off deflation. Buoyed by the better-than-expected performance of the US economic data, consumer confidence is predicted to re-emerge, bringing a change in the lacklustre domestic consumption pattern.

All these factors can lead to an upturn of the Hong Kong economic performance in the forthcoming months with the rippling effect boosting the local housing market and ultimately benefiting the construction industry. With the established image of the Group as a knowledge-based company with constant awareness of safety requirements and its track record of continual introduction of successful new products to the market, the management is confident that the Group will be on the high ground to take advantage of the probable economic rebound in the months ahead and improve the business performance as a result.

Financial review

For the six months ended 31 October 2003, the Group recorded a turnover of approximately HK\$68,082,000, representing a decrease of about 8% as compared to the corresponding period in 2002. The net profit attributable to shareholders was approximately HK\$943,000 for the six months ended 31 October 2003, representing a decrease of about 79% as compared to the corresponding period in last year. The decrease in turnover was largely due to a reduction in value of works contracts awarded to the Group as caused by the persistent depression of local property market and construction industry. The administrative expenses concurrently increased 30% from HK\$9,140,000 in 2002 to HK\$11,894,000 in 2003. The execution of the Group's policy of business expansion into diverse markets and sectors such as gondolas service, suspended ceiling installation and Hong Kong Dinseyland project necessitated increased staff headcount and other related administrative expenses.

Liquidity, financial resources, capital structure and gearing ratio

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

As at 31 October 2003, the Group's consolidated shareholders' funds, net current assets were about HK\$47,885,000 (as at 30 April 2003: HK\$46,942,000), HK\$24,456,000 (as at 30 April 2003: HK\$19,923,000) respectively. As at 31 October 2003, the Group's consolidated bank overdraft and short-term borrowings (bank borrowings and obligations under finance leases)

amounted to approximately HK\$21,160,000 (as at 30 April 2003: HK\$17,063,000) and HK\$10,529,000 (as at 30 April 2003: HK\$8,817,000) respectively. As at 31 October 2003, the Group's long-term borrowings (bank borrowings and obligations under finance leases) were HK\$6,767,000 (30 April 2003: HK\$6,154,000).

As at 31 October 2003, the Group's bank and cash balances and pledged bank deposits amounted to about HK\$3,348,000 (as at 30 April 2003: HK\$3,609,000) and about HK\$3,043,000 (as at 30 April 2003: \$3,028,000) respectively.

Most of the Group's bank balances and cash, pledged bank deposits, short-term and long-term bank borrowings and obligations under finance leases were denominated in Hong Kong dollars. Most of the bank borrowings bear interest at market rates and are repayable by instalments over a period of 3 months to 1 year. Obligations under finance leases have an average lease term of 3 years. All such leases have interest rates fixed at the contract date and fixed repayment bases.

As at 31 October 2003, the Group's gearing ratio (basis: bank overdrafts, short-term and long-term bank borrowings and obligations under finance leases divided by total assets) was about 33% (as at 30 April 2003: 31%).

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 2003, 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.

New products and services

No new products were introduced during the period under review.

Significant investments, material acquisitions and disposals

During the period under review, there were no significant investments held by the Group, no material acquisitions and disposals of subsidiaries and affiliated companies by the Group.

Details of future plans for material investments or capital assets

The Directors do not have any future plans for material investments or capital assets other than those stated in the Prospectus of the Company.

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 2003 (Unaudited) <i>HK\$'000</i>	At 30 April 2003 (Audited) <i>HK\$'000</i>
Investment property	3,800	3,800
Leasehold properties	5,679	5,744
Motor vehicles	2,005	2,069
Gondolas	2,492	2,868
Pledged deposits	3,043	3,028
	17,019	17,509

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 232 at 31 October 2003 (as at 30 April 2003: 220). 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 AND ACTUAL PROGRESS

Business Objectives

As stated in the Prospectus for the
6 months ending 31 October 2003

Actual Progress during the
6 months ending 31 October 2003

System Scaffold Business (Metal Scaffold)

Review progress & feedback

Sample of second generation metal scaffolding demonstrated good results in usage and was planned to enter the production stage for its launch in the market within the ensuing 6-month period. Metal system scaffolding comprising of steel and aluminium tubes was erected for 2 local scaffolding projects with positive feedback from clients.

Form a joint venture with a PRC factory (preferably in Southern China for lower transportation costs) to reduce material costs in production of metal tubes and other accessories for the Group's own consumption.

Joint venture for manufacturing of metal tubes and accessories was under review. In the PRC, a branch office was set up in Shanghai for the sourcing of materials for scaffolding components and for business promotion in the Upper Delta Region.

MBMSS Business

Introduce MBMSS to the old buildings renovation works sector in Hong Kong

Marketing efforts were exerted to introduce MBMSS to renovation works sector in Hong Kong.

Set up or acquire a factory in Malaysia or Thailand for manufacturing metal tubes

Feasibility studies were carried out in respect of manufacturing metal tubes in Malaysia and Thailand. Due to the amount of costs involved and other cost implications, it was decided that such manufacturing options would not be pursued.

Gondola Business

Increase marketing effort and improve pricing strategy to promote the gondola business in Hong Kong market

Marketing efforts and resources were increased. Pricing strategy was fine-tuned to cater for gondola business in Hong Kong market. The outsourcing of gondola parts from regions with lower manufacturing cost in Asia was considered and feasibility study was still in progress.

Carry out feasibility study in Asian markets

Feasibility studies were carried out in Asian markets with special attention paid to the PRC. Strategic alliance would be formed with a PRC main contractor which is also a developer for the purpose of penetrating the PRC market.

Product Enhancement and Development

Review progress and feedback

Sample of WLS brand of frame scaffold was produced and test results were all positive. This product will proceed to stage of production.

The design of one-lock coupling device was improved and such technical amendment underwent a series of testing to ensure its compliance with the updated national standard of the PRC.

Study the possibility of setting up a repair workshop for repair and maintenance of gondolas in the PRC

Feasibility study was in progress.

Sales and Marketing

Increase the number of sales and marketing staff to at least 4 for Hong Kong and Asian markets

A total of 4 sales and marketing staff were employed for Hong Kong and Asian markets.

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 from 7 December 2001 (the date of Listing) to 31 October 2003 <i>HK\$'000</i>
For gondola business	2,900	2,900
For system scaffold business (metal scaffold)	1,550	1,550
For MBMSS business	5,000	4,920
For product enhancement development	2,100	1,483
For sales and marketing	850	850
As additional working capital for the Group	5,000	5,000
	<u>17,400</u>	<u>16,703</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' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 October 2003, the interests and short positions of the Directors and the chief executive of the Company in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required pursuant to Section 352 of the SFO to be

entered in the register referred to therein, or which were required pursuant to Rule 5.40 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares

Name of director	Number of ordinary shares held	
	Personal interest	Family interest
Mr. So Yu Shing	242,215,000	74,225,000
Ms. Lai Yuen Mei, Rebecca	74,225,000	242,215,000
Mr. Woo Siu Lun	19,260,000	–
Mr Kong Kam Wang	–	700,000

Long positions in underlying shares

Details of movements in respect of the Company's share options granted to certain executive directors were as follows:

Name of director	Date granted	Exercisable period (Both dates inclusive)	Exercising price HK\$	Outstanding at 1/5/2003	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31/10/2003
Mr. So Yu Shing	21/5/2002	28/5/2003 to 27/5/2009	0.381	4,500,000	–	–	–	4,500,000
Ms. Lai Yuen Mei, Rebecca	21/5/2002	28/5/2003 to 27/5/2009	0.381	4,500,000	–	–	–	4,500,000
Mr. Woo Siu Lun	21/5/2002	28/5/2003 to 27/5/2009	0.381	4,500,000	–	–	–	4,500,000
Mr. Kong Kam Wang	21/5/2002	28/5/2003 to 27/5/2009	0.381	4,500,000	–	–	–	4,500,000
Dr. Chan Siu Lai (<i>Note</i>)	21/5/2002	28/5/2003 to 27/5/2009	0.381	100,000	–	–	(100,000)	–
				<u>18,100,000</u>	<u>–</u>	<u>–</u>	<u>(100,000)</u>	<u>18,000,000</u>

Note: the director resigned during the period.

No options were granted during the period.

Save as disclosed above, as at 31 October 2003, none of the Directors or their associates as well as the chief executive of the Company, had any interests or short positions in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required pursuant to Rule 5.40 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 October 2003, the persons who have interests and short positions in shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or have otherwise notified to the Company were as follows:

Long positions in shares

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

Save as disclosed above, as at 31 October 2003, the Company has not been notified of any other person (other than a Director or the chief executive of the Company) having an interest or short position in shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

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 2003.

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 three months ended 31 October 2003.

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 2003.

CORPORATE GOVERNANCE

The Company has complied throughout the period under review with the corporate governance matters as set out in rules 5.28 to 5.39 of Chapter 5 of the GEM Listing Rules.

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 Yeung Po Chin, 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, and half yearly and quarterly reports.

By order of the Board
So Yu Shing
Chairman

Hong Kong, 12 December 2003