



**WLS Holdings Limited**

**滙隆控股有限公司\***

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

**Interim Report 2004/2005**

\* *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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*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 2004 together with the comparative unaudited figures for the corresponding periods in 2003 as follows:

## CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 31 October 2004

	Notes	For the three months ended 31 October		For the six months ended 31 October	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Turnover	2	45,666	33,498	87,670	68,082
Cost of sales		(38,636)	(26,975)	(74,984)	(54,550)
Gross profit		7,030	6,523	12,686	13,532
Other revenue		–	222	148	295
Administrative expenses		(5,806)	(6,281)	(11,145)	(11,894)
Profit from operations	4	1,224	464	1,689	1,933
Finance costs		(552)	(433)	(1,094)	(801)
Share of results of associates		94	–	83	–
Profit before taxation		766	31	678	1,132
Taxation	5	(70)	319	(70)	(233)
Profit before minority interests		696	350	608	899
Minority interests		72	(8)	368	44
Net profit attributable to shareholders		768	342	976	943
Dividend per share	6	–	–	–	–
Earnings per share – basic	7	0.17 cent	0.07 cent	0.21 cent	0.21 cent

## CONSOLIDATED BALANCE SHEET

		At 31 October 2004 (unaudited) <i>HK\$'000</i>	At 30 April 2004 (audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Investment property		4,300	4,300
Property, plant and equipment		24,965	24,988
Goodwill		3,355	3,572
Interests in associates		268	144
Interest in a jointly controlled entity		98	98
		32,986	33,102
<b>CURRENT ASSETS</b>			
Inventories		514	417
Trade receivables	8	43,372	35,266
Amounts due from customers for contract work		27,567	29,741
Prepayments, deposits and other receivables		6,997	6,164
Tax recoverable		786	884
Pledged bank deposits		–	500
Bank balances and cash		4,360	4,883
		83,596	77,855
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	22,102	13,484
Amounts due to customers for contract work		4,072	9,200
Retention money payables		4,906	4,822
Bills payable		–	489
Tax payable		406	336
Obligations under finance leases		655	878
Bank borrowings	10	39,823	35,715
		71,964	64,924
<b>NET CURRENT ASSETS</b>		11,632	12,931
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		44,618	46,033
<b>MINORITY INTEREST</b>		(934)	(565)

**CONSOLIDATED BALANCE SHEET (continued)**

		<b>At 31 October 2004 (unaudited) <i>HK\$'000</i></b>	At 30 April 2004 (audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>NON-CURRENT LIABILITIES</b>			
Obligations under finance leases		<b>238</b>	500
Bank borrowings	<i>10</i>	<b>4,365</b>	6,364
Deferred tax		<b>387</b>	387
Provision for long service payments		<b>1,095</b>	856
		<hr/> <b>6,085</b> <hr/>	<hr/> 8,107 <hr/>
		<hr/> <b>39,467</b> <hr/> <hr/>	<hr/> 38,491 <hr/> <hr/>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>4,575</b>	4,575
Reserves		<b>34,892</b>	33,916
		<hr/> <b>39,467</b> <hr/> <hr/>	<hr/> 38,491 <hr/> <hr/>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 October 2004

	<b>Six months ended 31 October 2004 (Unaudited) HK\$'000</b>	Six months ended 31 October 2003 (Unaudited) HK\$'000
Net cash from (used in) operating activities	335	(5,255)
Net cash used in investing activities	(1,387)	(652)
Net cash from financing activities	1,761	1,549
	<hr/>	<hr/>
Net cash increase (decrease) in cash and cash equivalents	709	(4,358)
Cash and cash equivalents at 1 May	(11,533)	(13,454)
	<hr/>	<hr/>
Cash and cash equivalents at 31 October	<b>(10,824)</b>	<b>(17,812)</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of the balances of cash and cash equivalents:</b>		
Bank balances and cash	4,360	3,348
Bank overdrafts	(15,184)	(21,160)
	<hr/>	<hr/>
	<b>(10,824)</b>	<b>(17,812)</b>
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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2004

	Share capital	Share premium	Merger reserve	Investment property revaluation reserve	Retained Profits	Total
(Unaudited)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 May 2004	4,575	17,463	2,222	1,073	13,158	38,491
Profit for the period	–	–	–	–	976	976
At 31 October 2004	<u>4,575</u>	<u>17,463</u>	<u>2,222</u>	<u>1,073</u>	<u>14,134</u>	<u>39,467</u>
(Unaudited)						
At 1 May 2003	4,575	17,463	2,222	573	22,109	46,942
Profit for the period	–	–	–	–	943	943
At 31 October 2003	<u>4,575</u>	<u>17,463</u>	<u>2,222</u>	<u>573</u>	<u>23,052</u>	<u>47,885</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 No. 25, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants and with the applicable disclosure requirements of 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 2004.

### 2. Turnover

Turnover represents revenue from contracts for providing scaffolding and fitting out service, management contracting service for the construction and building works and gondolas service income.

	For the three months ended 31 October		For the six months ended 31 October	
	2004 (Unaudited) <i>HK\$'000</i>	2003 (Unaudited) <i>HK\$'000</i>	2004 (Unaudited) <i>HK\$'000</i>	2003 (Unaudited) <i>HK\$'000</i>
<b>Turnover</b>				
Contract revenue in respect of construction and building works for the provision of				
– scaffolding service and fitting out service	25,232	32,941	47,231	67,089
– management contracting service	19,890	–	39,376	–
Gondolas service incomes	544	557	1,063	993
	<u>45,666</u>	<u>33,498</u>	<u>87,670</u>	<u>68,082</u>



### 3. Segmental Information

#### Business segments

For management purposes, the Group is currently organised into two operating divisions – scaffolding and fitting out service for the construction and building works and management contracting service for the construction and building works.

Segment information on these businesses is presented below.

#### For the six months ended 31 October 2004

(Unaudited)	Scaffolding and fitting out service for the construction and building works <i>HK\$'000</i>	Management contracting service for the construction and building works <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE					
External sales	47,231	39,376	1,063	–	87,670
Inter-segment sales	1,400	–	3,193	(4,593)	–
Total revenue	<u>48,631</u>	<u>39,376</u>	<u>4,256</u>	<u>(4,593)</u>	<u>87,670</u>
Inter-segment sales are charged at cost or cost plus a percentage of profit mark-up.					
Segment result	<u>1,176</u>	<u>1,958</u>	<u>(1,136)</u>	–	1,998
Other operating income					148
Unallocated corporate expenses					<u>(457)</u>
Profit from operations					1,689
Finance costs					(1,094)
Share of results of associates					83
Profit before taxation					678
Taxation					<u>(70)</u>
Profit before minority interest					608
Minority interest					<u>368</u>
Net profit attributable to shareholders					<u>976</u>

For the six months ended 31 October 2003

(Unaudited)	Scaffolding and fitting out service for the construction and building works <i>HK\$'000</i>	Management contracting service for the construction and building works <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE					
External sales	67,089	–	993	–	68,082
Inter-segment sales	<u>–</u>	<u>–</u>	<u>4,385</u>	<u>(4,385)</u>	<u>–</u>
Total revenue	<u><u>67,089</u></u>	<u><u>–</u></u>	<u><u>5,378</u></u>	<u><u>(4,385)</u></u>	<u><u>68,082</u></u>
Inter-segment sales are charged at cost or cost plus a percentage of profit mark-up.					
Segment result	<u>1,116</u>	<u>–</u>	<u>1,482</u>	<u>–</u>	2,598
Other operating income					295
Unallocated corporate expenses					<u>(960)</u>
Profit from operations					1,933
Finance costs					<u>(801)</u>
Profit before taxation					1,132
Taxation					<u>(233)</u>
Profit before minority interest					899
Minority interest					<u>44</u>
Net profit attributable to shareholders					<u><u>943</u></u>

## Geographical segments

More than 90% of the Group's turnover, profit from operations, assets are derived from/situated in Hong Kong, and therefore no geographical segments are 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	
	2004	2003	2004	2003
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of goodwill	108	107	217	215
Depreciation	830	1,752	1,770	3,491

### 5. Taxation

The taxation charge (credit) comprises:

	For the three months ended 31 October		For the six months ended 31 October	
	2004	2003	2004	2003
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax				
– current	70	159	70	349
– deferred	–	(478)	–	(116)
	<u>70</u>	<u>(319)</u>	<u>70</u>	<u>233</u>

Hong Kong Profits Tax was provided at the rate of 17.5% for the six months ended 31 October 2004 (2003: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong.

In other jurisdiction, no provision for taxation has been made because there is no assessable profit arising in other jurisdiction for the six months ended 31 October 2004 and 2003.

**6. Dividend per share**

The Board does not recommend the payment of an interim dividend for the six months ended 31 October 2004 (six months ended 31 October 2003: Nil).

**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 2004 of approximately HK\$768,000 and HK\$976,000, respectively (three months and six months ended 31 October 2003: approximately HK\$342,000 and HK\$943,000 respectively) and the weighted average number of 457,500,000 ordinary shares for the respective periods (2003: 457,500,000 ordinary shares for the respective periods).

No diluted earnings per share for the three months and six months ended 31 October 2004 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:

	<b>At 31 October 2004 (Unaudited) HK\$'000</b>	At 30 April 2004 (Audited) HK\$'000
0 to 90 days	27,333	21,714
91 to 180 days	5,743	5,039
181 to 270 days	1,962	1,754
Over 270 days	1,550	1,894
	<hr/>	<hr/>
	<b>36,588</b>	30,401
Retention money receivables	6,784	4,865
	<hr/>	<hr/>
	<b>43,372</b>	35,266
	<hr/> <hr/>	<hr/> <hr/>

## 9. Trade and other payables

Included in trade and other payables are trade payables of HK\$16,781,000 (as at 30 April 2004: HK\$9,228,000) with an aged analysis of trade payables shown as follows:

	<b>At 31 October 2004 (Unaudited) HK\$'000</b>	At 30 April 2004 (Audited) HK\$'000
0 to 90 days	15,195	7,923
91 to 180 days	960	641
181 to 270 days	113	120
Over 270 days	513	544
	<hr/>	<hr/>
	<b>16,781</b>	9,228
	<hr/> <hr/>	<hr/> <hr/>

## 10. Bank borrowings

	<b>At 31 October 2004 (Unaudited) HK\$'000</b>	At 30 April 2004 (Audited) HK\$'000
Bank overdrafts	<b>15,184</b>	16,416
Bank loans	<b>29,004</b>	25,663
	<b>44,188</b>	42,079
Analysed as:		
Secured	<b>13,660</b>	17,023
Unsecured	<b>30,528</b>	25,056
	<b>44,188</b>	42,079

## 11. Contingent liabilities

As at 31 October 2004, the Group and the Company 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 intended to be brought by another scaffolding company to revoke a standard patent No. HK1033739 and to have the entry of the patent in the Register of Patents be expunged. The directors are of the view that the potential impact on the financial position and the business operations of the Group resulting from the revocation of the standard patent will not be material since the invalidation of the standard patent will not prevent the Group from continuing to work the scaffolding structure as particularly described in the standard patent although WL Scaffolding will not be able to sue others for infringement of the standard 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 was considered necessary by the directors at the balance sheet date.

- (b) The Group provided counter indemnities amounting to HK\$590,296 (as at 30 April 2004: HK\$1,417,000) 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\$93,917,000 (as at 30 April 2004: HK\$103,375,000) to banks and financial institutions to secure general banking facilities granted to certain subsidiaries.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 31 October 2004 (six months ended 31 October 2003: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business review and outlook**

For the six months ended 31 October 2004, the turnover of the Group amounted to approximately HK\$87,670,000, representing an increase of about 29% as compared with that of the corresponding period in 2003. Profit attributable to shareholders for the six months ended 31 October 2004 was approximately HK\$976,000, which is equivalent to an increase of about 3% from that of the corresponding period in 2003.

During the six months ended 31 October 2004, the Group continued on its upturn track of the business results of the first quarterly report of 2004/05. The target of the achievement of growth in profit attributable to shareholders for the second quarter of the financial year of the Company was attained. Moreover, the Group has successfully diversified into the suspended ceiling renovation and access equipment markets.

During the period under review, the scaffolding division secured several sizeable works contract and had in fact increased its market share in the scaffolding industry. As the construction industry experienced a rebound following the rapid recovery of the local housing market, the scaffolding division had received an increasing number of invitations to tender for works contracts. Furthermore, a contract for the provision of climbing scaffold services was awarded by a renowned main contractor which demonstrated the diversification efforts of the management of the Company were rewarded. The success in opening and developing a market for climbing scaffold resulted in a more balanced portfolio of scaffolding works projects in the four categories of bamboo scaffold, metal scaffold, metal-bamboo matrix system scaffold and climbing scaffold.

In regard to the operating results of the suspended ceiling business division, a total of nine new contracts were awarded for the supply and installation of suspended ceilings and one contract for the provision of alteration and fitting-out works. It is anticipated by management that the annual turnover of the suspended ceiling business division will be doubled as compared with that of the previous financial year.

The participation of the Group in the provision of construction related services and works in the Hong Kong Disneyland Project progressed smoothly and continued to provide a source of constant stable revenue to the Group.

During the period under review, the permanent gondola business unit, operating under Sinogain Engineering Limited (“Sinogain”), which is 70% owned by the Company, successfully secured a major contract for the supply and installation of access equipment to Stonecutters Bridge. This contract has value exceeding HK\$25 million and its duration will last for over 3 years thus ensuring constant flow of business revenue to the Group. The award of such a contract with significant size will certainly enhance the image and reputation of Sinogain in the field of building maintenance units and access equipment. In addition, the current parapet railings projects proceeded according to plan and the temporary gondola business unit secured 9 new contracts for the rental of temporary gondolas.

For the six months ended 31 October 2004, the international division continued to focus its marketing efforts on the Macau construction market. The scaffolding works project in Hoi Ming Koi in Macau progressed satisfactorily and the Group received several invitations to tender for scaffolding as well as suspended ceiling works in the upcoming new casinos, hotels and resorts under construction in Macau. The previous good job references of the Group in its participation in provision of scaffolding for the Las Vegas Sands Macau and La Oceania will undoubtedly place the Group in a prominent position to take advantage of the future large-scale hotel and resort developments in Macau.

In respect of the research and development division, patent for the utility model of the scaffolding coupler designed by WLS was granted by the People’s Republic of China during the period under review. The design of the third generation of metal scaffolding was further improved and the perfected product was manufactured for testing and further fine-tuning.

In conclusion, as Hong Kong gradually pulls out of recession and enters the stage of steady growth, the first phase of the economic recovery and the vibrant consumer retail industry are having a positive impact on the construction industry. This phenomenon, coupled with the booming Macau tourist industry with its resulting demand for safe and high-quality



construction methods and products, will present ample business opportunities for the Group. By streamlining its operations and continuous vigilance on cost-control whilst adopting the business strategy of diversification and emphasis on innovation and research, the management is confident that business performance of the Group will continue in the upward trend in the ensuing quarters.

### **Financial review**

For the six months ended 31 October 2004, the Group recorded a turnover of approximately of HK\$87,670,000, representing an increase of about 29% as compared to the corresponding period in 2003. The net profit attributable to shareholders was approximately HK\$976,000 for the six months ended 31 October 2004, representing an increase of about 3% as compared to the corresponding period in the last year. The increase in turnover was mainly due to the income generated from the new business segment of management contracting service which accounted for a turnover of about HK\$39,376,000 for the six months ended 31 October 2004 (six months ended 31 October 2003: nil). For the business segment of scaffolding and fitting-out service, the turnover recorded HK\$47,231,000, representing a decrease of 38% as compared to the corresponding period in 2003. As the property market experienced sustained growth in the recent months, the buoyancy of this market is expected to continue. The administrative expenses amounted to HK\$11,145,000 for the six months ended 31 October 2004, representing a decrease of 6% as compared to the corresponding period in last year. The Group's policy of cost control took effect gradually.

### **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.

As at 31 October 2004, the Group's consolidated shareholders' funds and net current assets were about HK\$39,467,000 (as at 30 April 2004: HK\$38,491,000), HK\$11,632,000 (as at 30 April 2004: HK\$12,931,000) respectively. As at 31 October 2004, the Group's consolidated bank overdraft and short-term borrowings (bank borrowings and obligations under finance leases) amounted to approximately HK\$15,184,000 (as at 30 April 2004: HK\$16,416,000) and HK\$24,639,000 (as at 30 April 2004: HK\$19,299,000) respectively. As at 31 October 2004, the Group's long-term borrowings (bank borrowings and obligations under finance leases) were HK\$4,603,000 (30 April 2004: HK\$6,864,000).

As at 31 October 2004, the Group's bank and cash balances amounted to about HK\$4,360,000 (as at 30 April 2004: HK\$4,883,000) 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 2004, 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 39% (as at 30 April 2004: 39%).

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**

### *Business segments*

The Group is currently organised into 2 operating divisions – (i) scaffolding and fitting out service for construction and building works, and (ii) management contracting service for construction and building works. Details of result by business segments are shown in note 3 above.

### *Geographical segments*

More than 90% of the Group's turnover, (loss) profit from operations and assets are derived from Hong Kong, and therefore no geographical segments are 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:

	<b>At 31 October 2004 (Unaudited) <i>HK\$'000</i></b>	<b>At 30 April 2004 (Audited) <i>HK\$'000</i></b>
Investment property	<b>4,300</b>	4,300
Land and buildings	<b>5,549</b>	5,614
Motor vehicles	<b>1,197</b>	1,591
Gondolas and related equipment	<b>817</b>	2,524
Pledged bank deposits	–	500

### **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 170 at 31 October 2004 (as at 30 April 2004: 185). 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.

## ADVANCES TO ENTITIES

According to rules 17.15 and 17.17 of the GEM Listing Rules on the GEM of the Stock Exchange, a disclosure obligation arises where the relevant advance to an entity from the Company and its subsidiaries exceeds 8% of the Company's total market capitalization.

As at 31 October 2004, there were 457,500,000 shares of the Company in issue. Based on the average closing price of the Company's shares of HK\$0.038 per share as stated in the Stock Exchange's daily quotation sheets for the trading days from 25 October 2004 to 29 October 2004 (both days inclusive), being the five business days immediately preceding 31 October 2004, the total market capitalisation of the Company was approximately HK\$17 million as at 31 October 2004.

As at 31 October 2004, the following trade receivable for the provision of management contracting services from a customer of the Group (the "Trade Receivable") exceeded 8% of the Company's total market capitalisation as at 31 October 2004:

	<b>HK\$</b>	<b>% of Total Market Capitalisation</b>
Hongkong International Theme Parks Limited	14,635,883	86%

The above customer and its ultimate beneficial owners were independent of and not connected with the Company, the Directors, chief executive, management shareholders or substantial shareholders of the Company, its subsidiaries or their respective associates (as defined in the GEM Listing Rules), as at 31 October 2004.

The Trade Receivable was resulted from service charges to the customer by the Group in its ordinary course of business and on normal commercial terms. It is unsecured and interest free, and has normal terms of settlement. Payment from Hongkong International Theme Parks Limited is based on work progress and is settled within 42 days from the date of submission of payment application. As at the date of this report, the Trade Receivable has not yet been fully settled.

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

As at 31 October 2004, 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 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### **Long positions in shares**

#### *Shares*

<b>Name of director</b>	<b>Number of ordinary shares held</b>		<b>Percentage of the issued share capital of the Company</b>
	<b>Personal interest</b>	<b>Family interest</b>	
Mr. So Yu Shing	242,215,000	74,225,000	69.0%
Ms. Lai Yuen Mei, Rebecca	74,225,000	242,215,000	69.0%
Mr. Woo Siu Lun	19,260,000	–	4.2%
Mr. Kong Kam Wang	–	700,000	0.2%

Ms. Lai Yuen Mei, Rebecca is the wife of Mr. So Yu Shing.

## Long positions in underlying shares

The following table discloses details of movements in respect of the Company's share options during the period:

Name of director	Date granted	Exercisable period (Both dates inclusive)	Exercise price <i>HK\$</i>	Outstanding at 1.5.2004	Granted during the period	Cancelled during the period	Outstanding at 31.10.2004
Mr. So Yu Shing	21 May 2002	28 May 2003 to 27 May 2009	0.381	4,500,000	–	–	4,500,000
	5 February 2004	12 February 2005 to 11 February 2011	0.094	4,500,000	–	–	4,500,000
Ms. Lai Yuen Mei, Rebecca	21 May 2002	28 May 2003 to 27 May 2009	0.381	4,500,000	–	–	4,500,000
	5 February 2004	12 February 2005 to 11 February 2011	0.094	4,500,000	–	–	4,500,000
Mr. Woo Siu Lun	21 May 2002	28 May 2003 to 27 May 2009	0.381	4,500,000	–	–	4,500,000
	5 February 2004	12 February 2005 to 11 February 2011	0.094	100,000	–	–	100,000
Mr. Kong Kam Wang	21 May 2002	28 May 2003 to 27 May 2009	0.381	4,500,000	–	–	4,500,000
	5 February 2004	12 February 2005 to 11 February 2011	0.094	300,000	–	–	300,000
Mr. Lau Wan Pui, Joseph ( <i>note</i> )	5 February 2004	12 February 2005 to 11 February 2011	0.094	2,000,000	–	(2,000,000)	–
				<u>29,400,000</u>	<u>–</u>	<u>(2,000,000)</u>	<u>27,400,000</u>

*Note:* the director resigned during the period.

No options were granted during the period.

Save as disclosed above, as at 31 October 2004, 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 by the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

As at 31 October 2004, the persons who have interests and short positions in shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or have otherwise notified to the Company were as follows:

#### **Long positions in shares**

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

Save as disclosed above, as at 31 October 2004, 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.

### **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

Save as disclosed above, at no time during the period was the Company or its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

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

During the six months ended 31 October 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

During the period under review, the Company has complied with the corporate governance matters as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

## **COMPETING INTERESTS**

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

## **AUDIT COMMITTEE**

The Company has established an audit committee on 9 November 2001 with written terms of reference in compliance with the GEM Listing Rules. The audit committee has three members, namely Dr. Sritawat Kitipornchai, Mr. Yeung Po Chin and Mr. Lam Kwok Wing, all being independent non-executive directors. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to review the Company's annual reports and accounts, and half yearly and quarterly reports.

The Group's unaudited consolidated results for the six months ended 31 October 2004 have been reviewed by the audit committee which was of the opinion that the results complied with applicable accounting standards, the GEM Listing Rules and legal requirements and that adequate disclosure had been made.



As at the date of this report, the Board comprises Mr. So Yu Shing (Chairman and executive Director), Ms. Lai Yuen Mei Rebecca (executive Director), Mr. Ip Ping Hong Antony (executive Director), Mr. Woo Siu Lun (executive Director), Mr. Kong Kam Wang (executive Director), Dr. Sritawat Kitipornchai (independent non-executive Director), Mr. Yeung Po Chin (independent non-executive Director), Mr. Lam Kwok Wing (independent non-executive Director) and Mr. Hui Tung Wah (non-executive Director).

By order of the Board

**So Yu Shing**

*Chairman*

Hong Kong, 8 December 2004