# WLS Holdings Limited

# 滙隆控股有限公司*

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

## Interim Report 2005/2006

* *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.**

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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 2005 together with the comparative unaudited figures for the corresponding periods in 2004 as follows:

**CONSOLIDATED INCOME STATEMENT**

*For the three months and six months ended 31 October 2005*

| | | **For the three months ended 31 October** | | **For the six months ended 31 October** | |
|---|---|---|---|---|---|
| | | **2005** | 2004 | **2005** | 2004 |
| | | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| | *Notes* | ***HK$’000*** | *HK$’000* | ***HK$’000*** | *HK$’000* |
| Turnover | *3* | **33,795** | 45,666 | **71,270** | 87,670 |
| Cost of sales | | **(26,953)** | (38,636) | **(57,383)** | (74,984) |
| Gross profit | | **6,842** | 7,030 | **13,887** | 12,686 |
| Other operating income | | **18** | – | **90** | 148 |
| Administrative expenses | | **(5,160)** | (5,806) | **(10,730)** | (11,145) |
| Profit from operations | *5* | **1,700** | 1,224 | **3,247** | 1,689 |
| Finance costs | | **(601)** | (552) | **(1,031)** | (1,094) |
| Share of results of associates | | **(10)** | 94 | **(10)** | 83 |
| Share of results of jointly controlled entities | | **266** | – | **319** | – |
| Profit before taxation | | **1,355** | 766 | **2,525** | 678 |
| Taxation | *6* | **(163)** | (70) | **(243)** | (70) |
| Net profit for the period | | **1,192** | 696 | **2,282** | 608 |
| Net profit attributable to: | | | | | |
| Equity holders of the Group | | **1,139** | 768 | **2,349** | 976 |
| Minority interests | | **53** | (72) | **(67)** | (368) |
| | | **1,192** | 696 | **2,282** | 608 |
| Dividend | *7* | **–** | – | **–** | – |
| Earnings per share – basic | *8* | **0.25 cent** | 0.17 cent | **0.51 cent** | 0.21 cent |

## CONSOLIDATED BALANCE SHEET

| | Notes | At 31 October 2005 (Unaudited) HK$'000 | At 30 April 2005 (Audited) HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment property | | **5,100** | 5,100 |
| Property, plant and equipment | | **25,183** | 26,063 |
| Goodwill | | **3,138** | 3,138 |
| Interests in associates | | **253** | 352 |
| Interests in jointly controlled entities | | **1,125** | 1,119 |
| | | **34,799** | 35,772 |
| **Current assets** | | | |
| Inventories | | **1,780** | 2,010 |
| Trade receivables | *10* | **27,094** | 25,453 |
| Amounts due from customers for contract work | | **28,527** | 20,956 |
| Retention money receivables | | **7,499** | 7,680 |
| Prepayments, deposits and other receivables | | **4,728** | 4,784 |
| Bank balances and cash | | **5,035** | 5,850 |
| | | **74,663** | 66,733 |
| **Current liabilities** | | | |
| Trade and other payables | *11* | **13,142** | 13,467 |
| Amounts due to customers for contract work | | **4,645** | 5,145 |
| Retention money payables | | **5,308** | 3,994 |
| Amount due to a jointly controlled entity | | – | 804 |
| Tax payable | | **439** | 197 |
| Obligations under finance leases | | **306** | 485 |
| Bank borrowings | *12* | **35,380** | 28,251 |
| | | **59,220** | 52,343 |
| **Net current assets** | | **15,443** | 14,390 |
| **Total assets less current liabilities** | | **50,242** | 50,162 |

## CONSOLIDATED BALANCE SHEET (continued)

| | Notes | At 31 October 2005 (Unaudited) *HK$'000* | At 30 April 2005 (Audited) *HK$'000* |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Obligations under finance leases | | **290** | 19 |
| Bank borrowings | *12* | **3,675** | 3,889 |
| Deferred tax | | **2,194** | 2,194 |
| Provision for long service payments | | **541** | 512 |
| | | **6,700** | 6,614 |
| | | **43,542** | 43,548 |
| **Capital and reserves** | | | |
| Share capital | *13* | **4,575** | 4,575 |
| Reserves | | **39,557** | 39,496 |
| **Equity attributable to equity holders of the parent** | | **44,132** | 44,071 |
| **Minority interest** | | **(590)** | (523) |
| **Total Equity** | | **43,542** | 43,548 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 31 October 2005*

| | Attributable to equity holders of the Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share premium | Merger reserve | Investment property revaluation reserve | Share options reserve | Retained Profits | Total | Minority interests | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 May 2004 as previously reported | 17,463 | 2,222 | 1,073 | – | 13,158 | 33,916 | (565) | 33,351 |
| Effects of changes in accounting policies | | | | | | | | |
| – Share-based payment | – | – | – | 140 | (140) | – | – | – |
| – Investment property | – | – | (1,073) | – | 573 | (500) | – | (500) |
| As restated | 17,463 | 2,222 | – | 140 | 13,591 | 33,416 | (565) | 32,851 |
| Recognition of equity settled share-based payment | – | – | – | 306 | (306) | – | – | – |
| Profit (loss) for the period | – | – | – | – | 976 | 976 | (368) | 608 |
| At 31 October 2004 | 17,463 | 2,222 | – | 446 | 14,261 | 34,392 | (933) | 33,459 |
| At 1 May 2005 | 17,463 | 2,222 | – | – | 19,811 | 39,496 | (523) | 38,973 |
| Effect of changes in accounting policies | | | | | | | | |
| – Share-based payment | – | – | – | 615 | (615) | – | – | – |
| As restated | 17,463 | 2,222 | – | 615 | 19,196 | 39,496 | (523) | 38,973 |
| Profit (loss) for the period | – | – | – | – | 2,349 | 2,349 | (67) | 2,282 |
| 2004/2005 final dividend paid | – | – | – | – | (2,288) | (2,288) | – | (2,288) |
| At 31 October 2005 | 17,463 | 2,222 | – | 615 | 19,257 | 39,557 | (590) | 38,967 |

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

*For the six months ended 31 October 2005*

| | **Six months ended 31 October 2005 (Unaudited)** ***HK$'000*** | Six months ended 31 October 2004 (Unaudited) *HK$'000* |
|---|---|---|
| **Net cash from operating activities** | **2,884** | 335 |
| **Net cash used in investing activities** | **(558)** | (1,387) |
| **Net cash (used in) from financing activities** | | |
| New bank loan raised | **16,230** | 55,288 |
| Repayment of borrowings | **(19,902)** | (52,437) |
| Other financing activities | **(712)** | (1,090) |
| | **(4,384)** | 1,761 |
| **(Decrease) increase in cash and cash equivalents** | **(2,058)** | 709 |
| **Cash and cash equivalents at 1 May** | **(2,832)** | (11,533) |
| **Cash and cash equivalents at 31 October** | **(4,890)** | (10,824) |
| **Analysis of the balances of cash and cash equivalents:** | | |
| Bank balances and cash | **5,035** | 4,360 |
| Bank overdrafts | **(9,925)** | (15,184) |
| | **(4,890)** | (10,824) |

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the GEM Rules) and with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting*.

### 2. Principal accounting policies

The condensed financial statements have been prepared on the historical cost basis as modified for the revaluation of land and buildings and investment property and in accordance with accounting principles generally accepted in Hong Kong.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 April 2005 except as described below.

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. As mentioned in the Annual Report 2005, the Group has already adopted HKAS 40 "Investment Property" for its financial year ended 30 April 2005 even before its adoption is made mandatory. Accordingly, the amount held in investment property revaluation reserve at 1 May 2005 has been transferred to the Group's retained earnings. Comparative figures have been restated.

Following the adoption of HKAS 40, changes in fair value of investment properties are included in the income statement. The effect of the change in accounting policy is adjusted in accordance with the transitional provision of HKAS 40 by transferring HK$1,073,000 from the investment property revaluation reserve to the opening retained profits as at 1 May 2004.

In addition, deferred tax was provided on the basis that the carrying amount of investment property would be recovered through sale in prior years. Following the adoption of HKAS 40, deferred tax is provided on the basis that the carrying amounts of investment properties will be recovered through use, and additional deferred tax of HK$500,000 was charged to the retained profits as at 1 May 2004.

For the period ended 31 October 2005, the Group has adopted the following HKFRSs:

***Business Combinations***

In the current period, the Group has applied HKFRS 3, *Business Combinations,* which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

*Goodwill*

In previous periods, goodwill arising on acquisitions prior to 1 January 2001 was held in reserves, and goodwill arising on acquisitions after 1 January 2001 was capitalised and amortised over its estimated useful life. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 January 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of the change in accounting policy, no amortisation of goodwill has been charged in the current period. The effect of this change resulted in a decrease in amortisation of goodwill amounting to HK$216,000 for the six months ended 31 October 2005 and comparative figures for 2004 have not been restated.

### *Share-based Payments*

In the current period, the Group has applied HKFRS 2 *Share-based Payment*. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted after 7 November 2002 and had vested before 1 January 2005. Following the adoption of this accounting policy, the retained profit for each of the two years as at 1 May 2005 and 2004 has been decreased by HK$615,000 and HK$140,000 respectively. The loss attributable to the equity holders of the parent has been decreased by HK$306,000 for the six months period ended 31 October 2004 and HK$475,000 for the year ended 30 April 2005. The adjustment of the said HK$615,000 will be reflected in the prior year comparative figure.

### *Owner-occupied Leasehold Interest in Land*

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 *Leases*. Under HKAS 17, the leasehold interests in land are classified to prepaid lease payment considered separately for the purposes of lease classification under operating leases which are carried at cost and amortised over the lease term on a straight-line basis, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. This change in accounting policy has been applied retrospectively.

### *Interests in Jointly Controlled Entities*

In previous periods, interests in jointly controlled entities were accounted for using the equity method. HKAS 31 allows entities to use either proportionate consolidation or the equity method to account for its interests in jointly controlled entities. Upon the application of HKAS 31, the Group has elected to continue to account for its interests in jointly controlled entities using equity method.

***Financial instruments***

In the current period, the Group has applied HKAS 32 *Financial instruments: Disclosure and presentation* and HKAS 39 *Financial instruments: Recognition and measurement*. HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of financial instrument in the Group's financial statements. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

*Classification and measurement of financial assets and financial liabilities*

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

*Financial assets and financial liabilities other than debt and equity securities*

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. The application of HKAS 39 has had no material effect on the presentation of financial instrument in the Group's financial statements.

## 3. Turnover

Turnover represents revenue from contracts for providing scaffolding, fitting out service, management contracting service for the construction and building works, access equipment, parapet railings installation and maintenance services.

| | For the three months ended 31 October | | For the six months ended 31 October | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **(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 | **27,276** | 18,073 | **53,834** | 36,277 |
| – fitting out service | **4,014** | 7,159 | **11,059** | 10,954 |
| – management contracting service | **670** | 19,890 | **3,714** | 39,376 |
| – access equipment, parapet railings installation and maintenance services | **1,835** | 544 | **2,663** | 1,063 |
| | **33,795** | 45,666 | **71,270** | 87,670 |

## 4. Segmental Information

### Business segments

For management purposes, the Group is currently organised into three operating divisions (i) scaffolding and fitting out service for the construction and building works, (ii) management contracting service for the construction and building works, and (iii) access equipment, parapet railings installation and maintenance services.

Segmental information on these businesses is presented below.

**For the six months ended 31 October 2005**

| (Unaudited) | Scaffolding and fitting out service for the construction and building works *HK$'000* | Management contracting service for the construction and building works *HK$'000* | Access equipment, parapet railings installation and maintenance services *HK$'000* | Other operations *HK$'000* | Elimination *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|---|---|
| REVENUE | | | | | | |
| External sales | 64,893 | 3,714 | 2,663 | – | – | 71,270 |
| Inter-segment sales | – | – | – | 3,623 | (3,623) | – |
| Total revenue | 64,893 | 3,714 | 2,663 | 3,623 | (3,623) | 71,270 |

Inter-segment sales are charged at cost or cost plus a percentage of profit mark-up.

| | | | | | | |
|---|---|---|---|---|---|---|
| Segment result | 2,988 | 717 | 33 | (139) | – | 3,599 |
| Other operating income | | | | | | 90 |
| Unallocated corporate expenses | | | | | | (442) |
| Profit from operations | | | | | | 3,247 |
| Finance costs | | | | | | (1,031) |
| Share of results of associates | | | | | | (10) |
| Share of results of jointly controlled entities | | | | | | 319 |
| Profit before taxation | | | | | | 2,525 |
| Taxation | | | | | | (243) |
| Profit for the period | | | | | | 2,282 |

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

| (Unaudited) | Scaffolding and fitting out service for the construction and building works *HK$'000* | Management contracting service for the construction and building works *HK$'000* | Access equipment, parapet railings installation and maintenance services *HK$'000* | Other operations *HK$'000* | Elimination *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|---|---|
| REVENUE | | | | | | |
| External sales | 47,231 | 39,376 | 1,063 | – | – | 87,670 |
| Inter-segment sales | 1,400 | – | 62 | 3,131 | (4,593) | – |
| Total revenue | 48,631 | 39,376 | 1,125 | 3,131 | (4,593) | 87,670 |

Inter-segment sales are charged at cost or cost plus a percentage of profit mark-up.

| | | | | | | |
|---|---|---|---|---|---|---|
| Segment result | 1,176 | 1,958 | (590) | (546) | – | 1,998 |
| Other operating income | | | | | | 148 |
| Unallocated corporate expenses | | | | | | (457) |
| Profit from operations | | | | | | 1,689 |
| Finance costs | | | | | | (1,094) |
| Share of results of associates | | | | | | 83 |
| Profit before taxation | | | | | | 678 |
| Taxation | | | | | | (70) |
| Profit for the period | | | | | | 608 |

**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.

## 5. 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 | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Amortisation of goodwill | **–** | 108 | **–** | 217 |
| Depreciation of property, plant and equipment | **889** | 925 | **1,750** | 1,770 |

## 6. Taxation

The taxation charge comprises:

| | For the three months ended 31 October | | For the six months ended 31 October | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong profits tax | | | | |
| – current | **163** | 70 | **243** | 70 |
| – deferred | **–** | – | **–** | – |
| | **163** | 70 | **243** | 70 |

Hong Kong Profits Tax was provided at the rate of 17.5% for the six months ended 31 October 2005 and 31 October 2004 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 2005 and 31 October 2004.

7. **Dividend**

On 8 September 2005 a dividend of HK0.5 cent per share, totalling HK$2,288,000 was paid to shareholders as the final dividend for the year ended 30 April 2005.

The Board does not recommend the payment of an interim dividend for the six months ended 31 October 2005 (six months ended 31 October 2004: Nil).

8. **Earnings per share**

The calculation of the basic earnings per share is based on the unaudited net profit attributable to equity holders of the Group for the three months and six months ended 31 October 2005 amounting to HK$1,139,000 and HK$2,349,000 respectively (unaudited net profit attributable to equity holders of the Group for the three months and six months ended 31 October 2004 amounting to HK$768,000 and HK$976,000 respectively) and the weighted average number of 457,500,000 ordinary shares for the respectively period (three-month and six months ended 31 October 2004: 457,500,000 shares).

No diluted earnings per share for the six months ended 31 October 2005 had been presented because the exercise price of the Company's outstanding share options was higher than the average market prices of the share during the period. No diluted earnings per share has been presented in prior periods as the Company had no dilutive potential shares during the prior periods.

9. **Addition to property, plant and equipment**

During the six months ended 31 October 2005, the Group spent approximately HK$930,000 (2004: HK$1,750,000) on acquisition of property, plant and equipment.

**10. 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 2005 (Unaudited)** ***HK$'000*** | At 30 April 2005 (Audited) *HK$'000* |
|---|---|---|
| 0 to 90 days | **21,584** | 21,148 |
| 91 to 180 days | **3,337** | 2,533 |
| 181 to 270 days | **1,067** | 898 |
| Over 270 days | **1,106** | 874 |
| | **27,094** | 25,453 |

**11. Trade and other payables**

Included in trade and other payables are trade payables of HK$9,123,000 (as at 30 April 2005: HK$9,411,000) with an aged analysis of trade payables shown as follows:

| | **At 31 October 2005 (Unaudited)** ***HK$'000*** | At 30 April 2005 (Audited) *HK$'000* |
|---|---|---|
| 0 to 90 days | **8,905** | 7,002 |
| 91 to 180 days | **117** | 2,260 |
| 181 to 270 days | **–** | – |
| Over 270 days | **101** | 149 |
| | **9,123** | 9,411 |

## 12. Bank borrowings

| | **At 31 October 2005 (Unaudited)** *HK$'000* | At 30 April 2005 (Audited) *HK$'000* |
|---|---|---|
| Bank overdrafts | **9,925** | 8,682 |
| Bank loans | **29,130** | 23,458 |
| | **39,055** | 32,140 |
| Analysed as: | | |
| Secured | **4,377** | 6,897 |
| Unsecured | **34,678** | 25,243 |
| | **39,055** | 32,140 |
| The borrowings are repayable as follows: | | |
| On demand or within one year | **35,380** | 28,251 |
| More than one year, but not exceeding two years | **3,675** | 3,889 |
| | **39,055** | 32,140 |
| Less: Amount due within one year shown under current liabilities | **(35,380)** | (28,251) |
| Amount due after one year | **3,675** | 3,889 |

## 13. Share capital

| | Number of shares | Amount |
|---|---|---|
| | | *HK$'000* |
| Ordinary shares of HK$0.01 each | | |
| Authorised: | | |
| At 31 October 2005 and 30 April 2005 | 800,000,000 | 8,000 |
| Issued and fully paid: | | |
| At 31 October 2005 and 30 April 2005 | 457,500,000 | 4,575 |

## 14. Contingent liabilities

(a) At 31 October 2005, the Group had the following contingent liabilities:

(i) 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 is not material since the invalidation of the standard patent does 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.

(ii) The Company and one of its wholly owned subsidiaries provided corporate guarantees to the extent of HK$2,000,000 and HK$2,589,000 (30 April 2005: HK$2,000,000 and HK$2,589,000) respectively to banks to secure general banking facilities granted to a non-wholly owned subsidiary. At 31 October 2005, the facilities of HK$4,116,384 (30 April 2005: HK$4,589,000) was only utilised by the non-wholly owned subsidiary. The guarantees given by the Group were the only financial assistance given by the non-wholly owned subsidiary's shareholders to the non-wholly owned subsidiary.

(b) The Company provided corporate guarantees to the extent of HK$108,890,000 (30 April 2005 HK$108,890,000) to banks and financial institutions to secure general banking facilities granted to certain subsidiaries. The total facilities utilised by the subsidiaries at 31 October 2005 amounted to HK$44,881,000 (30 April 2005 HK$37,753,000).

**15. Litigation**

A wholly owned subsidiary of the Company, Wui Loong System Scaffolds Company Limited ("WL System Scaffolds"), had instituted legal proceedings against the main contractor for the outstanding amount under a contract for system formwork installation of HK$2 million. The main contractor filed a defence and also counterclaimed for loss and damage on grounds of alleged breach of contract by WL System Scaffolds, which is denied by it. The parties are at the stage of making mutual discovery and other interlocutory applications.

While the outcome of the proceedings cannot be estimated with certainty at this stage, based on legal advice obtained, the directors are of the opinion that the outcome of the action would not have a material adverse impact on the financial position of the Group.

## 16. Capital commitments

| | At 31 October 2005 (Unaudited) *HK$'000* | At 30 April 2005 (Audited) *HK$'000* |
|---|---|---|
| Capital expenditure contracted for but not provided in the financial statement in respect of acquisition of property, plant and equipment | **243** | – |

## 17. Related party transactions

During the period, the Group entered into the following transactions:

| | *Notes* | 1.5.2005 to 31.10.2005 *HK$'000* | 1.5.2004 to 31.10.2004 *HK$'000* |
|---|---|---|---|
| (a) Transactions with a jointly controlled entity | | | |
| Subcontracting expenses of scaffolding services | *i* | **2,111** | – |
| Subcontracting income | *i* | **644** | – |
| (b) Transactions with a related company | | | |
| Rental expense paid to a related company | *ii, iii* | **–** | 139 |

*Notes:*

(i) The transactions were carried out on normal commercial terms and in ordinary course of business.

(ii) The rental expense was charged at market rate.

(iii) Mr. So Yu Shing and Ms. Lai Yuen Mei, Rebecca, directors of the Company, have beneficial interest in the related company.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 October 2005 (six months ended 31 October 2004: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review and outlook

For the six months ended 31 October 2005, the turnover of the Group amounted to approximately HK$71,270,000, representing a decrease of about 19% as compared with that of the corresponding period in 2004. Profit attributable to the equity holders of the Group for the six months ended 31 October 2005 was approximately HK$2,349,000, which is equivalent to an increase of about 141% from that of the corresponding period in 2004.

During the period under review, the Group continued on its upward track of profitability riding on the speedy recovery of the construction industry and the complete regaining of consumer confidence of the Hong Kong economy. In respect of the scaffolding division, a total of 16 new works contracts were secured of which several new orders comprised the provision of scaffolding services for the renovation of arcades of large commercial complexes of a renowned local developer. As a matter of fact, the recent trend in the increase in the renovation of commercial arcades in a bid to capture the prevailing boom in retail consumption presents ample opportunities for the Group to further diversify into the market for the provision of scaffolding for arcade renovation. Furthermore, the provision of climbing scaffold to Airport Express Kowloon Station (Phase 6) was successfully secured and work has commenced with favourable feedback from the main contractor.

In respect of the operating results of the fitting out business division, a total of four new contracts were awarded by several renowned main contractors during the period under review. These new contracts comprised of the provision of fitting out services to (1) the swimming pool areas of the Four Seasons Hotel, (2) renovation of the New Town Plaza Skylight section, (3) a section of the Arch in Airport Express Kowloon Station and the provision of false ceilings to the Ngau Tam Mei Development in Yuen Long. The successful diversification of the Group into the fitting out market enables the Group to enjoy a stream of stable income from this business division thus alleviating the need to rely solely on the contribution from the operating results of the scaffolding division.

During the six months ended 31 October 2005, the participation of the Group in the Hong Kong Disneyland Project had been successfully completed. The Group had gained considerable goodwill, reputation and experience by rendering service to massive theme park projects such as the Hong Kong Disneyland. At present, the Group is consolidating its position as a prominent service provider in the market of Glass Reinforced Cement/Glass Reinforced Plastic (GRC/GRP) themed cladding services and will continue to look for market opportunities in theme park artwork services. During the period under review, the Group was awarded two works contracts for the provision of GRC/GRP themed cladding services to the Noah's Ark in Island Park and the provision of GRC cladding services to Island Park (Phase 5) Development in Ma Wan.

With regard to the access equipment division, the contract for the design, supply, installation and maintenance of access equipment for the Stonecutters Bridge proceeded according to plan. The duration of the project would last for over two years thus constituting a stream of constant revenue to the Group. In addition, a contract for the supply and installation of building maintenance units for the Olympic Station Development and a maintenance contract for the building maintenance units in Millennium City 5 in Kwun Tong were awarded. As regards the operating results of the supply and rental of temporary gondolas, three new contracts for the rental of temporary gondolas were secured and the access equipment division attained the target of achieving the optimal level of utilization in respect of the Group's fleet of temporary gondolas. Furthermore, a sizable variation order for the variation of parapet railing installation for the Route 8 Ngong Shuen Chau Viaduct was obtained during the period under review.

Regarding the development of new products promoted to the market by the Group, the new works contract for the provision of climbing scaffold to Airport Express Kowloon Station (Phase 6) secured during the period under review had commenced with favourable feedback from the main contractor. At the same time, another new works contract for providing metal H-Frame scaffolding to the site at Sky Plaza in Chek Lap Kok Airport had also commenced and received tremendously positive feedback and acclaim from the main contractor. The management of the Group is of the view that there is huge market potential for the metal H-Frame scaffold and the Group is committed to employing additional marketing resources to promote this new product to the construction industry in Hong Kong.

After a considerable period of business diversification and consolidation, the Group has attained the level at which the various business units coalesce into a balanced business portfolio. In the light of the current bullish economic atmosphere, coupled with the abundant market opportunities brought about by the prevailing boom in the Macau construction industry, the Group is well positioned to take advantage of the current exceptionally favourable business environment with ample market opportunities to move forward on its track of profitability.

**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 2005, the Group's consolidated shareholders' funds and net current assets were about HK$44,132,000 (as at 30 April 2005: HK$44,071,000), HK$15,443,000 (as at 30 April 2005: HK$14,390,000) respectively. As at 31 October 2005, the Group's consolidated bank borrowings amounted to approximately HK$39,055,000 (as at 30 April 2005: HK$32,140,000).

As at 31 October 2005, the Group's bank and cash balances amounted to about HK$5,035,000 (as at 30 April 2005: HK$5,850,000) 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 2 years. All such leases have interest rates fixed at the contract date and fixed repayment bases.

As at 31 October 2005, the Group's gearing ratio was about 35% (as at 30 April 2005: 32%).

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 three operating divisions: (i) scaffolding and fitting out service for construction and building works, (ii) management contracting service for construction and building works and (iii) access equipment, parapet railings installation and maintenance services. Details of result by business segments are shown in note 4 above.

*Geographical segments*

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

**New products and services**

Metal H-Frame scaffolding designed by the Group was introduced to the market of the construction industry 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 2005 (Unaudited)** | At 30 April 2005 (Audited) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Investment property | **5,100** | 5,100 |
| Land and buildings | **6,700** | 6,700 |
| Motor vehicles | **1,248** | 978 |

**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 210 at 31 October 2005 (as at 30 April 2005: 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.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 October 2005, the interests and short positions of the Directors of the Company in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

**Long positions in shares**

*Shares*

| | Number of ordinary shares held | | |
|---|---|---|---|
| **Name of director** | **Personal interest** | **Family interest** | **Percentage of the issued share capital of of the Company** |
| 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 | Outstanding at 1.5.2005 and 31.10.2005 |
|---|---|---|---|---|
| | | | *HK$* | |
| Mr. So Yu Shing | 21 May 2002 | 28 May 2003 to 27 May 2009 | 0.381 | 4,500,000 |
| | 5 February 2004 | 12 February 2005 to 11 February 2011 | 0.094 | 4,500,000 |
| Ms. Lai Yuen Mei, Rebecca | 21 May 2002 | 28 May 2003 to 27 May 2009 | 0.381 | 4,500,000 |
| | 5 February 2004 | 12 February 2005 to 11 February 2011 | 0.094 | 4,500,000 |
| Mr. Woo Siu Lun | 21 May 2002 | 28 May 2003 to 27 May 2009 | 0.381 | 4,500,000 |
| | 5 February 2004 | 12 February 2005 to 11 February 2011 | 0.094 | 100,000 |
| Mr. Kong Kam Wang | 21 May 2002 | 28 May 2003 to 27 May 2009 | 0.381 | 4,500,000 |
| | 5 February 2004 | 12 February 2005 to 11 February 2011 | 0.094 | 300,000 |
| | | | | 27,400,000 |

No options were granted during the period.

Save as disclosed above, as at 31 October 2005, none of the Directors of the Company or their associates, 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 2005, 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 2005, the Company has not been notified of any other person (other than a Director of the Company) having an interest or short position in shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

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

During the six months ended 31 October 2005, 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.

In addition, the Company is in progress of establishing its remuneration committee and drafting its terms of reference to comply with the applicable code provisions set out in the Code on Corporate Governance Practice as contained in Appendix 15 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 31 October 2005, the Company had adopted a code of conduct regarding directors' securities transactions as set out in Rules 5.46 to 5.68 of the GEM Listing Rules. The Company had also made specific enquiry of all directors and was not aware of any non-compliance with the required standard of dealings and the code of conduct regarding securities transactions by directors.

## 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 2005 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, 13 December 2005