



WLS Holdings Limited
滙隆控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8021)

Interim Report 2006/2007

* *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.

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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 2006 together with the comparative unaudited figures for the corresponding periods in 2005 as follows:

CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 31 October 2006

| | | For the three months ended 31 October | | For the six months ended 31 October | |
|--|-------|--|--------------------|--|--------------------|
| | | 2006 | 2005 | 2006 | 2005 |
| | | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | Notes | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Turnover | 3 | 58,004 | 33,795 | 103,684 | 71,270 |
| Cost of sales | | (50,354) | (26,953) | (88,930) | (57,383) |
| Gross profit | | 7,650 | 6,842 | 14,754 | 13,887 |
| Other income | | 103 | 18 | 415 | 90 |
| Administrative expenses | | (5,077) | (5,160) | (10,697) | (10,722) |
| Finance costs | | (1,107) | (601) | (2,042) | (1,031) |
| Share of results of associates | | – | (10) | (7) | (10) |
| Share of results of jointly controlled entities | | 69 | 266 | 303 | 319 |
| Profit before taxation | | 1,638 | 1,355 | 2,726 | 2,533 |
| Taxation | 6 | (205) | (163) | (119) | (243) |
| Profit for the period | | <u>1,433</u> | <u>1,192</u> | <u>2,607</u> | <u>2,290</u> |
| Attributable to: | | | | | |
| Equity holders of the Company | | 1,576 | 1,139 | 2,677 | 2,357 |
| Minority interests | | (143) | 53 | (70) | (67) |
| | | <u>1,433</u> | <u>1,192</u> | <u>2,607</u> | <u>2,290</u> |
| Dividend | 7 | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> |
| Earnings per share | | | | | |
| – basic | 8 | <u>HK0.34 cent</u> | <u>HK0.25 cent</u> | <u>HK0.58 cent</u> | <u>HK0.51 cent</u> |

CONSOLIDATED BALANCE SHEET

| | | At 31 October 2006 (Unaudited) <i>HK\$'000</i> | At 30 April 2006 (Audited) <i>HK\$'000</i> |
|--|--------------|---|---|
| | <i>Notes</i> | | |
| Non-current assets | | | |
| Investment property | | 5,600 | 5,600 |
| Property, plant and equipment | | 23,783 | 22,005 |
| Prepaid lease payments | | 1,797 | 1,821 |
| Goodwill | | 3,138 | 3,138 |
| Interests in associates | | 59 | 66 |
| Interests in jointly controlled entities | | 897 | 594 |
| | | <hr/> 35,274 | <hr/> 33,224 |
| Current assets | | | |
| Prepaid lease payments | | 47 | 47 |
| Inventories | | 1,086 | 1,654 |
| Trade receivables | 10 | 62,755 | 36,556 |
| Amounts due from customers for contract work | | 28,309 | 31,302 |
| Retention money receivables | | 10,824 | 6,133 |
| Prepayments, deposits and other receivables | | 4,022 | 2,735 |
| Amounts due from associates | | 218 | 161 |
| Amount due from a jointly controlled entity | | 867 | 669 |
| Bank balances and cash | | 4,529 | 5,046 |
| | | <hr/> 112,657 | <hr/> 84,303 |
| Current liabilities | | | |
| Trade and other payables | 11 | 20,932 | 15,439 |
| Amounts due to customers for contract work | | 7,947 | 3,983 |
| Retention money payables | | 5,797 | 5,119 |
| Tax payable | | 1,444 | 1,303 |
| Obligations under finance leases | | 208 | 172 |
| Bank borrowings | 12 | 35,844 | 22,301 |
| Bank overdrafts | | 24,578 | 18,153 |
| | | <hr/> 96,750 | <hr/> 66,470 |
| Net current assets | | <hr/> 15,907 | <hr/> 17,833 |
| Total assets less current liabilities | | <hr/> 51,181 | <hr/> 51,057 |

CONSOLIDATED BALANCE SHEET (continued)

| | | At 31 October 2006 (Unaudited) HK\$'000 | At 30 April 2006 (Audited) HK\$'000 |
|---|--------------|--|--|
| | <i>Notes</i> | | |
| Non-current liabilities | | | |
| Obligations under finance leases | | 156 | 132 |
| Bank borrowings | <i>12</i> | 2,279 | 4,278 |
| Deferred tax | | 2,534 | 2,534 |
| | | <u>4,969</u> | <u>6,944</u> |
| | | <u>46,212</u> | <u>44,113</u> |
| Capital and reserves | | | |
| Share capital | <i>13</i> | 4,636 | 4,575 |
| Reserves | | 41,849 | 39,741 |
| | | <u>46,485</u> | <u>44,316</u> |
| Equity attributable to equity holders of the Company | | 46,485 | 44,316 |
| Minority interest | | (273) | (203) |
| | | <u>46,212</u> | <u>44,113</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2006

| | Attributable to equity holders of the Company | | | | | | Minority interests HK\$'000 | Total HK\$'000 |
|--|---|------------------------------|-------------------------------|---------------------------------|-------------------|--------------|-----------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Merger reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 | | | |
| | | | | | | | | |
| At 1 May 2005 | | | | | | | | |
| – As originally stated | 4,575 | 17,463 | 2,222 | 19,811 | 44,071 | (523) | 43,548 | |
| – Effect of changes in accounting policies | – | – | – | (1,985) | (1,985) | – | (1,985) | |
| – As restated (audited) | 4,575 | 17,463 | 2,222 | 17,826 | 42,086 | (523) | 41,563 | |
| Profit for the period | – | – | – | 2,349 | 2,349 | 67 | 2,416 | |
| 2004/05 final dividend paid | – | – | – | (2,288) | (2,288) | – | (2,288) | |
| At 31 October 2005 (unaudited) | <u>4,575</u> | <u>17,463</u> | <u>2,222</u> | <u>17,887</u> | <u>42,147</u> | <u>(456)</u> | <u>41,691</u> | |
| At 1 May 2006 (audited) | 4,575 | 17,463 | 2,222 | 20,056 | 44,316 | (203) | 44,113 | |
| Profit for the period | – | – | – | 2,677 | 2,677 | (70) | 2,607 | |
| Issue of shares under scrip dividend scheme for | | | | | | | | |
| 2005/06 final dividend | 61 | 1,261 | – | (1,322) | – | – | – | |
| 2005/06 final dividend paid | – | – | – | (508) | (508) | – | (508) | |
| At 31 October 2006 (unaudited) | <u>4,636</u> | <u>18,724</u> | <u>2,222</u> | <u>20,903</u> | <u>46,485</u> | <u>(273)</u> | <u>46,212</u> | |

Note:

The merger reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company in exchange for the nominal value for the issued share capital of the subsidiaries acquired pursuant to the Group's reorganisation on 23 November 2001.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 October 2006

| | Six months ended 31 October 2006 (Unaudited) HK\$'000 | Six months ended 31 October 2005 (Unaudited) HK\$'000 |
|---|--|--|
| Net cash (used in) from operating activities | (12,108) | 2,884 |
| Net cash used in investing activities | (3,716) | (558) |
| Net cash from (used in) financing activities | | |
| New bank loan raised | 47,708 | 16,230 |
| Repayment of borrowings | (36,164) | (19,902) |
| Net increase in bank overdrafts | 6,425 | 1,243 |
| Other financing activities | (2,662) | (712) |
| | <u>15,307</u> | <u>(3,141)</u> |
| Decrease in cash and cash equivalents | (517) | (815) |
| Cash and cash equivalents at 1 May | <u>5,046</u> | <u>5,850</u> |
| Cash and cash equivalents at 31 October | <u><u>4,529</u></u> | <u><u>5,035</u></u> |

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed financial statements have been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

2. Principal accounting policies

The unaudited condensed financial statements have been prepared on the historical cost basis except for certain properties which are measured at fair values.

The accounting policies and method of computation used in the preparation of condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 April 2006, except as described below.

During the period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 December 2005.

| | |
|-------------------------------|---|
| HKAS 19 (Amendment) | Actuarial Gains and Losses, Group Plans and Disclosures |
| HKAS 21 (Amendment) | Net Investment in a foreign operation |
| HKAS 39 (Amendment) | Cash Flow Hedge Accounting of Forecast Intra-group Transactions |
| HKAS 39 (Amendment) | The Fair Value Option |
| HKAS 39 & HKFRS 4 (Amendment) | Financial Guarantee Contracts |
| HKFRS 6 | Exploration for and Evaluation of Mineral Resources |
| HK(IFRIC) – INT 4 | Determining whether an Arrangement contains a Lease |
| HK(IFRIC) – INT 5 | Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds |
| HK(IFRIC) – INT 6 | Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment |
| HK(IFRIC) – INT 7 | Applying the Restatement Approach under HKAS 29 “Financial Reporting in Hyper-Inflationary Economics” |
| HK(IFRIC) – INT 8 | Scope of HKFRS 2 |

The application of the new HKFRSs has had no material effect on results and financial positions for the current and prior accounting periods.

The group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The Company is still not in the position to estimate the impact that may arise from the application of these new standards and interpretations.

| | |
|--------------------|---|
| HKAS 1 (Amendment) | Capital Disclosures ¹ |
| HKFRS 7 | Financial Instruments: Disclosures ¹ |
| HK(IFRIC) – INT 9 | Reassessment of Embedded Derivatives ² |

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 June 2006

The preparation of condensed financial statements in conformity with Hong Kong Financial Reporting Standards issued by HKICPA requires the use of certain critical estimates. It also requires directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement, assumptions and estimates are significant to the condensed financial statements. These condensed financial statements should be read in conjunction with the 2006 annual 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 | |
|---|--|--|--|--|
| | 2006 (Unaudited) <i>HK\$'000</i> | 2005 (Unaudited) <i>HK\$'000</i> | 2006 (Unaudited) <i>HK\$'000</i> | 2005 (Unaudited) <i>HK\$'000</i> |
| Turnover | | | | |
| Contract revenue in respect of construction and building works for the provision of | | | | |
| – scaffolding service | 22,411 | 27,276 | 42,943 | 53,834 |
| – fitting out service | 13,974 | 4,014 | 25,514 | 11,059 |
| Management contracting service | 18,512 | 670 | 29,539 | 3,714 |
| Access equipment, parapet railings installation and maintenance services | 3,107 | 1,835 | 5,688 | 2,663 |
| | <u>58,004</u> | <u>33,795</u> | <u>103,684</u> | <u>71,270</u> |

4. Segmental Information

Segment information is presented in respect of the Group's primary business segments and secondary geographical 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.

Business Segments

| | Scaffolding and fitting out service for the construction & building works <i>HK\$ '000</i> | Management contracting service for the construction and building works <i>HK\$ '000</i> | Gondolas, parapet railing and access equipment installation and maintenance services <i>HK\$ '000</i> | Consolidated <i>HK\$ '000</i> |
|---|---|--|--|----------------------------------|
| For the six months ended 31 October 2006 | | | | |
| (unaudited) | | | | |
| REVENUE | | | | |
| Total external sales | 68,457 | 29,539 | 5,688 | 103,684 |
| SEGMENT RESULTS | | | | |
| Gross profit | 3,347 | 10,719 | 688 | 14,754 |
| Allocation of corporate expenses | (6,728) | (2,429) | (842) | (9,999) |
| | (3,381) | 8,290 | (154) | 4,755 |
| Other income | | | | 415 |
| Unallocated corporate expenses | | | | (698) |
| Finance costs | | | | (2,042) |
| Share of results of associates | | | | (7) |
| Share of results of jointly controlled entities | | | | 303 |
| Profit before taxation | | | | 2,726 |
| Taxation | | | | (119) |
| Profit for the period | | | | 2,607 |

| | Scaffolding and fitting out service for the construction & building works <i>HK\$ '000</i> | Management contracting service for the construction and building works <i>HK\$ '000</i> | Gondolas, parapet railing and access equipment installation and maintenance services <i>HK\$ '000</i> | Consolidated <i>HK\$ '000</i> |
|---|---|--|--|----------------------------------|
| For the six months ended 31 October 2005 | | | | |
| (unaudited) | | | | |
| REVENUE | | | | |
| Total external sales | <u>64,893</u> | <u>3,714</u> | <u>2,663</u> | <u>71,270</u> |
| SEGMENT RESULTS | | | | |
| Gross profit | 12,238 | 1,493 | 156 | 13,887 |
| Allocation of corporate expenses | <u>(9,250)</u> | <u>(776)</u> | <u>(123)</u> | <u>(10,149)</u> |
| | <u>2,988</u> | <u>717</u> | <u>33</u> | 3,738 |
| Other income | | | | 90 |
| Unallocated corporate expenses | | | | (573) |
| Finance costs | | | | (1,031) |
| Share of results of associates | | | | (10) |
| Share of results of jointly controlled entities | | | | <u>319</u> |
| Profit before taxation | | | | 2,533 |
| Taxation | | | | <u>(243)</u> |
| Profit for the period | | | | <u><u>2,290</u></u> |

Geographical Segments

| | Hong Kong <i>HK\$'000</i> | Macau <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|---|-------------------------------------|---------------------------------|--|
| For the six months ended 31 October 2006 | | | |
| (unaudited) | | | |
| REVENUE | | | |
| Total external sales | <u>77,505</u> | <u>26,179</u> | <u>103,684</u> |
| SEGMENT RESULTS | | | |
| Gross profit | 5,134 | 9,620 | 14,754 |
| Allocation of corporate expenses | <u>(7,435)</u> | <u>(2,564)</u> | <u>(9,999)</u> |
| | <u>(2,301)</u> | <u>7,056</u> | 4,755 |
| Other income | | | 415 |
| Unallocated corporate expenses | | | (698) |
| Finance costs | | | (2,042) |
| Share of results of associates | | | (7) |
| Share of results of jointly controlled entities | | | <u>303</u> |
| Profit before taxation | | | 2,726 |
| Taxation | | | <u>(119)</u> |
| Profit for the period | | | <u><u>2,607</u></u> |

| | Hong Kong <i>HK\$'000</i> | Macau <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|---|-------------------------------------|---------------------------------|--|
| For the six months ended 31 October 2005 | | | |
| (unaudited) | | | |
| REVENUE | | | |
| Total external sales | <u>67,681</u> | <u>3,589</u> | <u>71,270</u> |
| SEGMENT RESULTS | | | |
| Gross profit | 13,220 | 667 | 13,887 |
| Allocation of corporate expenses | <u>(9,637)</u> | <u>(512)</u> | <u>(10,149)</u> |
| | <u>3,583</u> | <u>155</u> | 3,738 |
| Other income | | | 90 |
| Unallocated corporate expenses | | | (573) |
| Finance costs | | | (1,031) |
| Share of results of associates | | | (10) |
| Share of results of jointly controlled entities | | | <u>319</u> |
| Profit before taxation | | | 2,533 |
| Taxation | | | <u>(243)</u> |
| Profit for the period | | | <u><u>2,290</u></u> |

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 | |
|--|--|-----------------|--|-----------------|
| | 2006 | 2005 | 2006 | 2005 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Depreciation of property, plant and equipment | <u><u>1,019</u></u> | <u>889</u> | <u><u>2,004</u></u> | <u>1,750</u> |

6. Taxation

The taxation charge (credit) comprises:

| | For the three months ended 31 October | | For the six months ended 31 October | |
|---|--|-------------|--|-------------|
| | 2006 | 2005 | 2006 | 2005 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Hong Kong profits tax – current period | 59 | 163 | (768) | 243 |
| Other jurisdiction – current period | 146 | – | 887 | – |
| | <u>205</u> | <u>163</u> | <u>119</u> | <u>243</u> |

Hong Kong Profits Tax was provided at the rate of 17.5% for the six months ended 31 October 2006 and 31 October 2005 on the estimated assessable profit/loss arising in or derived from Hong Kong.

Taxation arising from other jurisdiction is calculated at the rate in the relevant jurisdiction.

7. Dividend

On 5 October 2006, a cash dividend of HK0.4 cent per share, totalling HK\$508,000 and a scrip dividend of 6,144,200 ordinary shares was paid and despatched to shareholders as the final dividend for the year ended 30 April 2006 pursuant to the scrip dividend scheme of the Company.

The Board does not recommend the payment of an interim dividend for the six months ended 31 October 2006 (six months ended 31 October 2005: 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 2006 amounting to HK\$1,576,000 and HK\$2,677,000 respectively (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\$2,357,000 respectively) and the weighted average number of 457,500,000 ordinary shares and 458,401,594 ordinary shares for the respective periods (three-month and six months ended 31 October 2005: 457,500,000 shares).

No diluted earnings per share for the six months ended 31 October 2006 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 2006, the Group incurred approximately HK\$4,572,000 (2004: HK\$930,000) 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 2006 (Unaudited) HK\$'000 | At 30 April 2006 (Audited) HK\$'000 |
|-----------------|--|--|
| 0 to 90 days | 39,334 | 26,086 |
| 91 to 180 days | 9,182 | 3,864 |
| 181 to 270 days | 7,744 | 2,017 |
| Over 270 days | 6,495 | 4,589 |
| | 62,755 | 36,556 |

11. Trade and other payables

Included in trade and other payables are trade payables of HK\$15,022,000 (as at 30 April 2005: HK\$9,301,000) with an aged analysis of trade payables shown as follows:

| | At 31 October 2006 (Unaudited) HK\$'000 | At 30 April 2006 (Audited) HK\$'000 |
|-----------------|--|--|
| 0 to 90 days | 13,821 | 8,719 |
| 91 to 180 days | 975 | 255 |
| 181 to 270 days | – | 117 |
| Over 270 days | 226 | 210 |
| | <u>15,022</u> | <u>9,301</u> |

12. Bank borrowings

| | At 31 October 2006 (Unaudited) HK\$'000 | At 30 April 2006 (Audited) HK\$'000 |
|---|--|--|
| Bank borrowings analysed as: | | |
| Secured | 16,718 | 15,778 |
| Unsecured | 21,405 | 10,801 |
| | <u>38,123</u> | <u>26,579</u> |
| The borrowings are repayable as follows: | | |
| On demand or within one year | 35,844 | 22,301 |
| More than one year, but not exceeding two years | 2,279 | 4,278 |
| | 38,123 | 26,579 |
| Less: Amount due within one year shown under current liabilities | <u>(35,844)</u> | <u>(22,301)</u> |
| Amount due after one year | <u>2,279</u> | <u>4,278</u> |

13. Share capital

| | Number of shares | Amount <i>HK\$'000</i> |
|--------------------------------------|---------------------|---------------------------|
| Ordinary shares of HK\$0.01 each | | |
| Authorised: | | |
| At 31 October 2006 and 30 April 2006 | <u>800,000,000</u> | <u>8,000</u> |
| Issued and fully paid: | | |
| At 31 October 2006 | <u>463,644,200</u> | <u>4,636</u> |
| At 30 April 2006 | <u>457,500,000</u> | <u>4,575</u> |

14. Contingent liabilities

At 31 October 2006, the Group provided counter indemnities amounting to HK\$8,516,000 (30 April 2006: HK\$4,627,000) to banks for surety bonds issued by the bank in respect of construction contracts.

15. Litigation

A wholly-owned subsidiary of the Company, Wui Loong System Scaffolds Company Limited (“WL System Scaffolds”), had on 7 January 2005 instituted legal proceedings against the main contractor for the outstanding amount under a contract for system formwork installation of approximately 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. As the parties have at this stage completed the mutual exchange of witnesses’ statements in mid-July 2006, the court will at the forthcoming check-list hearing, having considered and satisfied that all outstanding interlocutory applications have been completed, give leave that the case be set down for trial.

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

16. Capital commitments

| | At 31 October 2006 (Unaudited) HK\$'000 | At 30 April 2006 (Audited) HK\$'000 |
|---|--|--|
| Capital expenditure contracted for but not provided in the financial statement in respect of acquisition of property, plant and equipment | <u>15,840</u> | <u>266</u> |

17. Related party transactions

- (i) During the period, the Group entered into the following transactions:

| | For the six months ended 31 October | |
|---|--|---------------------------------|
| | 2006 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 |
| Transactions with a jointly controlled entity | | |
| Subcontracting expenses of scaffolding services | <u>568</u> | <u>2,111</u> |
| Subcontracting income | <u>689</u> | <u>644</u> |

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

- (ii) A personal guarantee up to the extent of HK\$8,000,000 was made by a director in favour of a financial institution for the granting of banking facilities to a subsidiary of the Company.

(iii) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

| | For the six months ended | |
|--------------------------|---------------------------------|--------------|
| | 31 October | |
| | 2006 | 2005 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Short term benefits | 2,620 | 2,490 |
| Post-employment benefits | 30 | 30 |
| | <hr/> | <hr/> |
| | 2,650 | 2,520 |
| | <hr/> <hr/> | <hr/> <hr/> |

The remuneration of directors and key executives is determined by the Remuneration Committee or senior management having regard to the performance of individuals and market trends.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 October 2006 (six months ended 31 October 2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

For the six months ended 31 October 2006, the turnover of the Group amounted to approximately HK\$103,684,000, representing an increase of about 45% as compared with that of the corresponding period in 2005. Net profit attributable to shareholders for the six months ended 31 October 2006 was approximately HK\$2,677,000, which is equivalent to an increase of about 14% from that of the corresponding period in 2005.

During the period under review, the business operations of the scaffolding division continued to face cut-throat competition from competitors in the Hong Kong market. New Hong Kong works contracts awarded dwindled in size and the total number of new contracts also experienced a slight decrease during the period. Nevertheless, there was an increase in the number of new tender invitations especially in the building and retail arcade renovation sector. For the six months ended 31 October 2006, the scaffolding division secured several significant works contracts for the provision of scaffolding for renovation works to large-scale residential and retail complexes such as Shatin Centre, C C Wu Building and Grand Century Place. This vindicates the management's decision to diversify into the building renovation sector to alleviate the difficulties resulted from the downturn of the business cycle of the local construction industry. At the same time, the climbing scaffolding works in Airport Express Kowloon Station (Phase 6) progressed according to schedule and the market acceptance of climbing scaffolds presents ample business opportunities created by this new product. Concurrently, marketing efforts will continue to be exerted and resources deployed to promote the adoption of metal H-frame scaffolds designed by the Group in new sites in order to increase the market share of the Group.

In respect of the operating results of the fitting out business division, a total of seven new contracts were awarded during the period under review. Among the new works contracts, the significant ones included the provision of fitting out services to the lobby of the Millennium City (Phase 6) in Kwun Tong and to the lobby of a construction site in Cheung Sha Wan, and the provision of suspended ceiling works to the podium lobby of Airport Express Kowloon Station (Phase 6) development. The successful diversification of the Group into the fitting out

market and the goodwill it acquired from project references contributed to the Group in becoming one of the prominent players in the fitting out industry. Moreover, the revenue from the fitting out division will also constitute a stream of stable income to the Group.

With regard to the GRC (Glass Reinforced Cement) and theme park division, considerable businesses were obtained in overseas markets. During the period under review, a contract for the supply and installation of GRC to the external facade of the Venetian in Cotai, Macau had been awarded thus contributing significantly to the turnover and profit margins of the Group. In addition, 6 new contracts for the design and supply of signages and GRC themed cladding products to a number of theme parks in India were successfully secured. This signifies a breakthrough in the expansion of the business operations of the Group's GRC and theme park division to new overseas markets such as India and Macau. At the same time, the on-going projects for the provision of themed cladding services to Park Island (Phase 5) and the Noah's Ark in Ma Wan proceeded according to schedule and the revenue from these two projects constituted a source of stable income to the Group.

In respect of the access equipment division, the works contract for the design, supply, installation and maintenance of access equipment for the Stonecutters Bridge proceeded according to plan. Concurrently, additional variation works orders were obtained for the on-going parapet railings projects, for example, the supply and installation of steel parapet railings to Ngong Shuen Chau Viaduct Route 8. Such marketing efforts and endeavours increased the business turnover and market share of the Group in the sector for the provision of parapet railings. During the period under review, the Group's fleet of temporary gondolas enjoyed nearly full level of utilization and a total of 7 new rental contracts for temporary gondolas were awarded.

As regards the international division, sizeable contracts for the supply of scaffolding services to the Venetian and the Sands Hotel (Podium and Tower) in Macau were secured. As the gaming and entertainment industries of Macau continued to flourish, the business strategy of the Group would target on the supply of a full range of construction-related products and services, such as scaffolding, GRC themed cladding services, gondolas and management contracting services, to the on-going and looming large-scale construction projects in Macau. As the Group has long established a foothold in Macau by opening a branch office there in 2002 and engaging in the provision of scaffolding services with a long list of impeccable project references and goodwill gained by the quality of our performance and the good relation with the Macau main contractors, the Group is poised in an advantageous position to reap significant financial benefits from the construction boom in Macau in the years ahead.

Furthermore, during the period under review, the Group signed a strategic alliance with a renowned construction group in Guangzhou to strengthen our construction arm with the aim of achieving synergy in our efforts to penetrate into the overseas construction markets.

With respect to the research and development division, one of the notable achievements for the six months ended 31 October 2006 was the formal grant of the patent covering China in respect of our Metal-Bamboo Matrix Scaffolding (MBMSS) by the State Intellectual Property Office of the People's Republic of China after a long period of examination and application process. This signifies a vindication of the Group's success in the field of research and development and constituted an enormous boost to the morale of the Group's team in the research and development division. The Group is committed to continuing in its research and development efforts in a bid to devise new and ingenious construction-related products that will enhance efficiency and safety in the construction process.

In conclusion, the Group achieved significant results in diversifying both in product range and in geographical segments. During the period under review, the Group had made successful inroads into the amusement theme park market in India. At present, the various business divisions of the Group attain a balanced portfolio, thus relieving the burden of depending on the operational performance of one single product or being restricted to one geographical area. All in all, the phenomenal boom of the construction activities in Macau will continue to present a golden opportunity for the Group to capitalise on since it has long working relationships with the main contractors in Macau, being one of the first batch of construction-related companies to establish a foothold in Macau in 2002 and having participated in numerous mega-size Macau construction projects with renowned project references. It is anticipated that the revenue from overseas projects would continue to contribute significantly to the business operations of the Group. With constant vigilance on cost control and the enhancement of operational efficiency on the part of the management of the Group, it is extremely optimistic that the Group results will continue to improve and thus enhance shareholders' value.

Financial Review

For the 3 months and 6 months ended 31 October 2006, revenue increased by 72% & 45% respectively as compared with the corresponding periods in the preceding financial year. Having foreseen the lack of large-scale commercial and residential projects in Hong Kong, the management of the Group has been actively looking for other business opportunities in recent years. The Group has diversified its businesses with considerable success. Projects in the fitting out and management contracting services divisions contributed substantially to such significant increase in revenue.

The gross profit of the management contracting services division increased significantly. It is due to the carrying out and completion of certain value-adding project works with satisfactory profit margins contracted with customers in Macau and India. On completion of many large-scale scaffolding projects in Hong Kong, gross profit contribution from this division has reduced accordingly.

Despite our business diversification, administrative expenses remained stable due to our stringent cost control. The commencement of new projects in various divisions during the period gave rise to the increase in bank borrowing and thus increased the finance costs.

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 2006, the Group's consolidated shareholders' funds and net current assets were about HK\$46,485,000 (as at 30 April 2006: HK\$44,316,000), HK\$15,907,000 (as at 30 April 2006: HK\$17,830,000) respectively. As at 31 October 2006, the Group's consolidated bank borrowings amounted to approximately HK\$62,701,000 (as at 30 April 2006: HK\$44,732,000).

As at 31 October 2006, the Group's bank and cash balances amounted to about HK\$4,529,000 (as at 30 April 2006: HK\$5,046,000) respectively.

Most of the Group's bank balances and cash, 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 2006, the Group's gearing ratio (basis: bank overdrafts, total bank borrowings and obligations under finance leases divided by total assets) was about 42.6% (as at 30 April 2006: 38.3%).

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

The Group's turnover, profit from operations and assets are derived from group companies incorporated in Hong Kong and Macau. Details of result by geographical segments are shown in note 4 above.

Significant investments, material acquisitions and disposals

On 16 August 2006, a subsidiary of the Group entered into a provisional sale and purchase agreement with an independent third party for the acquisition of a property for the consideration of HK\$17,600,000. Details of this acquisition were stated in the circular of the Company dated 6 September 2006. The formal sale and purchase agreement was signed on 17 October 2006 and as at the balance sheet date, the Group has paid an aggregate amount of HK\$1,760,000 as deposit and part payment. Other than that, there were no significant investments held by the Group, no material acquisitions and disposals of subsidiaries and affiliated companies by the Group during the period under review.

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 2006 (Unaudited) <i>HK\$'000</i> | At 30 April 2006 (Audited) <i>HK\$'000</i> |
|------------------------|---|---|
| Investment property | 5,600 | 5,600 |
| Prepaid lease payments | 1,844 | 1,868 |
| Buildings | 3,017 | 3,050 |
| Motor vehicles | 349 | – |

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 161 at 31 October 2006 (as at 30 April 2006: 136). 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' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 October 2006, 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

| Name of director | Number of ordinary shares held | | Percentage of the issued share capital of the Company |
|---------------------------|---------------------------------------|------------------------|--|
| | Personal interest | Family interest | |
| Mr. So Yu Shing | 246,710,000 | 75,600,000 | 69.5% |
| Ms. Lai Yuen Mei, Rebecca | 75,600,000 | 246,710,000 | 69.5% |
| Mr. Woo Siu Lun | 19,260,000 | – | 4.2% |
| Mr. Kong Kam Wang | – | 700,000 | 0.2% |

Ms. Lai Yuen Mei, Rebecca is the spouse 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 1.5.2006 and 31.10.2006 |
|------------------------------|-----------------|--|-------------------------------|---|
| 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 2006, 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 2006, 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 | 246,710,000 |
| Ms. Lai Yuen Mei, Rebecca | 75,600,000 |

Save as disclosed above, as at 31 October 2006, 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 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the period, the Company has applied the principles of the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules. A report on the principal corporate governance practices adopted by the Company is set out in 2006 annual report of the Company.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 31 October 2006, 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 interim report for the six months ended 31 October 2006 has been reviewed by the audit committee which was of the opinion that such report 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), Mr. Kan Siu Lun (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, 12 December 2006