

## **INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2002**

The directors ("Directors") of Wang Sing International Holdings Group Limited ("the Company") are pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (together referred to as the "Group") for the six months ended 30 June 2002 together with comparative figures for the corresponding previous period as follows:

### **CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED** FOR THE SIX MONTHS ENDED 30 JUNE 2002

		<b>Six months ended 30 June</b>	
		<b>2002</b>	2001
	NOTES	<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
Turnover	3	<b>193,654</b>	165,320
Cost of sales		<b>(161,652)</b>	(138,205)
Gross profit		<b>32,002</b>	27,115
Other revenue	4	<b>448</b>	757
Selling and distribution expenses		<b>(6,397)</b>	(7,471)
Administrative expenses		<b>(6,698)</b>	(4,982)
Profit from operations		<b>19,355</b>	15,419
Finance costs	6	<b>(479)</b>	(62)
Profit before taxation		<b>18,876</b>	15,357
Taxation	7	<b>(99)</b>	(99)
Profit before minority interest		<b>18,777</b>	15,258
Minority interest		<b>89</b>	195
Profit for the period		<b>18,866</b>	15,453
Interim dividend	8	<b>6,720</b>	–
Earnings per share (in Hong Kong cents)			
– Basic	9	<b>6.7</b>	6.1

**CONDENSED CONSOLIDATED BALANCE SHEET – UNAUDITED**

AT 30 JUNE 2002

	NOTES	<b>As at 30 June 2002 HK\$'000 (unaudited)</b>	As at 31 December 2001 HK\$'000 (unaudited)
<b>Non-current Assets</b>			
Property, plant and equipment	10	<b>72,060</b>	23,270
<b>Current Assets</b>			
Inventories		<b>15,537</b>	1,790
Trade and other receivables	11	<b>71,753</b>	38,084
Deposits and prepayments		<b>18,094</b>	5,457
Amount due from a related company		<b>–</b>	5,173
Bank balances and cash		<b>63,864</b>	39,240
		<b>169,248</b>	89,744
<b>Current Liabilities</b>			
Trade and other payables	12	<b>74,085</b>	49,001
Deposits and accrued expenses		<b>8,005</b>	4,982
Tax payable		<b>722</b>	623
Amount due to a related company		<b>3,533</b>	–
Amount due to a shareholder		<b>–</b>	2,783
Amount due to a director		<b>–</b>	3,751
Unsecured bank borrowings		<b>–</b>	6,443
		<b>86,345</b>	67,583
<b>Net Current Assets</b>			
		<b>82,903</b>	22,161
Total assets less current liabilities		<b>154,963</b>	45,431
Minority interest		<b>(790)</b>	(879)
<b>Net Assets</b>			
		<b>154,173</b>	44,552
<b>Capital and Reserves</b>			
Share capital	13	<b>33,600</b>	1,000
Reserves		<b>120,573</b>	43,552
		<b>154,173</b>	44,552

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2002

	Share Capital	Share premium account	Merger reserve	Revaluation reserve	Other reserves	Translation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 13)							
At 1 January 2001	1,000	–	–	–	710	16	36,383	38,109
Profit for the period	–	–	–	–	–	–	15,453	15,453
At 30 June 2001	1,000	–	–	–	710	16	51,836	53,562
Exchange loss on translation of overseas operations not recognised in the income statement	–	–	–	–	–	(278)	–	(278)
Profit for the period	–	–	–	–	–	–	21,268	21,268
Dividends	–	–	–	–	–	–	(30,000)	(30,000)
At 31 December 2001	1,000	–	–	–	710	(262)	43,104	44,552
Merger reserve arising on the Group Reorganisation (as defined in Note 1 below)	(800)	–	800	–	–	–	–	–
Credited as fully paid from contributed surplus and issue of shares upon the Group Reorganisation	200	–	–	–	–	–	–	–
Exchange loss on translation of overseas operations not recognised in the income statement	–	–	–	–	–	(300)	–	(300)
Revaluation increase on land and buildings not recognised in the ncome statement	–	–	–	25,234	–	–	–	25,234
Capitalisation of share premium for issue of shares ("Capitalisation Issue")	25,000	(25,000)	–	–	–	–	–	–
Issue of shares through initial public offering	8,400	71,400	–	–	–	–	–	79,800
Share issue expenses	–	(13,979)	–	–	–	–	–	(13,979)
Profit for the period	–	–	–	–	–	–	18,866	18,866
<b>At 30 June 2002</b>	<b>33,600</b>	<b>32,421</b>	<b>800</b>	<b>25,234</b>	<b>710</b>	<b>(562)</b>	<b>61,970</b>	<b>154,173</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS –  
UNAUDITED**

FOR THE SIX MONTHS ENDED 30 JUNE 2002

	<b>Six months ended 30 June</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	<b>(3,496)</b>	24,215
NET CASH USED IN INVESTING ACTIVITIES	<b>(24,725)</b>	(719)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	<b><u>52,845</u></b>	<u>(3,649)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<b>24,624</b>	19,847
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<b><u>39,240</u></b>	<u>26,272</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b><u><u>63,864</u></u></b>	<u><u>46,119</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	<b><u><u>63,864</u></u></b>	<u><u>46,119</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2002

## 1. GROUP REORGANISATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 26 June 2001 as an exempted company with limited liability under the Company Law Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company acts as an investment holding company.

Pursuant to a corporate reorganisation (the "Group Reorganisation") to rationalise the structure of the Company and its subsidiaries in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 11 April 2002. Details of the Group Reorganisation are set out in the prospectus of the Company dated 16 April 2002 (the "Prospectus").

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, its combined income statement for the six months ended 30 June 2001 and combined balance sheet as at 31 December 2001 have been prepared using the principles of merger accounting in accordance with Statement of Standard Accounting Practice No. 27 "Accounting for Group Reconstructions" issued by the Hong Kong Society of Accountants ("HKSA").

The combined income statement of the Group for the six months ended 30 June 2001 has been prepared as if the current group structure had been in existence since 1 January 2001. The combined balance sheet of the Group as at 31 December 2001 have been prepared to present assets and liabilities of the Group as if the current group structure had been in existence as at that date. All material intra-group transactions and balances have been eliminated on combination.

The shares of the Company have been listed on the Main Board of the Stock Exchange with effect from 26 April 2002.

The unaudited condensed consolidated financial statements have been prepared in accordance with the Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" ("SSAP 25") issued by the HKSA and with the applicable disclosure requirements of Appendix 16 to Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

## 2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements are consistent with those adopted by the Group in the Group's accountants' report as set out in the Prospectus except the following:

Land and buildings are stated in the unaudited condensed consolidated balance sheet as at 30 June 2002 at their revalued amount, in accordance with the Listing Rules requirements, being the fair value at the date of revaluation less any subsequent accumulated depreciation and amortisation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

## 2. PRINCIPAL ACCOUNTING POLICIES – *Continued*

Any revaluation increase arising on revaluation of land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

In addition, the Group has adopted the following revised or new SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002.

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

In accordance with SSAP 15 (Revised), the cash and cash equivalents is presented by means of cash flow statement which classifies cash flows during the period according to operating, investing and financing activities. Unaudited condensed cash flow statements for the six months ended 30 June 2001 have been presented on a consistent basis.

Except for the above, the adoption of the new SSAPs has had no material impact on the Group's unaudited condensed consolidated financial statements.

## 3. SEGMENT INFORMATION

The Group is engaged in the manufacture and distribution of power tools. The nature of the products and the production processes and the methods used to distribute the products to customers in different geographical locations are similar. The Group's production facilities are located in the People's Republic of China ("the PRC"). The Directors of the Company consider that geographical segments by location of customers are the primary source of the Group's risk and returns.

**3. SEGMENT INFORMATION** – *Continued*

Segment information by location of customers:

	<b>Six months ended 30 June</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<i>Turnover</i>		
Europe		
Germany	<b>99,087</b>	72,181
Other European countries	<b>33,681</b>	54,785
	<hr/>	<hr/>
Total	<b>132,768</b>	126,966
The PRC	<b>49,838</b>	6,216
Asia, North America and other continents	<b>11,048</b>	32,138
	<hr/>	<hr/>
Total	<b>193,654</b>	165,320
	<hr/> <hr/>	<hr/> <hr/>
<i>Segment results</i>		
Europe		
Germany	<b>17,463</b>	10,107
Other European countries	<b>7,784</b>	13,054
	<hr/>	<hr/>
Total	<b>25,247</b>	23,161
The PRC	<b>4,460</b>	464
Asia, North America and other continents	<b>2,295</b>	3,490
	<hr/>	<hr/>
Total	<b>32,002</b>	27,115
Unallocated corporate income and expenses	<b>(12,647)</b>	(11,696)
	<hr/>	<hr/>
Profit from operations	<b>19,355</b>	15,419
Finance costs	<b>(479)</b>	(62)
	<hr/>	<hr/>
Profit before taxation	<b>18,876</b>	15,357
Taxation	<b>(99)</b>	(99)
	<hr/>	<hr/>
Profit before minority interest	<b>18,777</b>	15,258
Minority interest	<b>89</b>	195
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Profit for the period	<b>18,866</b>	15,453
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**3. SEGMENT INFORMATION** – *Continued**Business segments*

The Group's operations can be divided into manufacturing and outsourcing of goods. The following table provides an analysis of the Group's turnover and contribution to profit from operations by business segments of the Group:

	<b>Turnover by business segments</b>		<b>Contribution to profit from operations</b>	
	<b>Six months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)	<b>(unaudited)</b>	(unaudited)
Manufacturing	<b>124,219</b>	32,071	<b>19,905</b>	4,072
Outsourcing	<b>69,435</b>	133,249	<b>12,097</b>	23,043
	<b><u>193,654</u></b>	<u>165,320</u>	<b><u>32,002</u></b>	<u>27,115</u>
Unallocated corporate Income and expenses			<b>(12,647)</b>	(11,696)
Profit from operations			<b>19,355</b>	15,419
Finance costs			<b>(479)</b>	(62)
Profit before taxation			<b>18,876</b>	15,357
Taxation			<b>(99)</b>	(99)
Profit before minority interest			<b>18,777</b>	15,258
Minority interest			<b>89</b>	195
Profit for the period			<b><u>18,866</u></b>	<u>15,453</u>

**4. OTHER REVENUE**

	<b>Six months ended 30 June</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Interest income from banks	<b>316</b>	486
Sundry income	<b>132</b>	271
	<b><u>448</u></b>	<u>757</u>



## 5. DEPRECIATION

Depreciation charges for the period in respect of the Group's property, plant and equipment amounted to HK\$ 1,169,000 (2001: HK\$ 682,000).

## 6. FINANCE COSTS

Finance costs represent interest on bank borrowings wholly repayable within five years and discounted bill charges.

## 7. TAXATION

	<b>Six months ended 30 June</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
The PRC enterprise income tax	<u><b>99</b></u>	<u>99</u>

The Company's subsidiary, Suzhou Dong Xin Tools Co., Ltd operating in the PRC is eligible for exemption from the PRC income tax for the year ended 31 December 1997 and 1998, followed by a 50% reduction in the PRC income tax for the next three years. Jiangsu Golden Harbour Enterprise Limited ("JGHEL") is also eligible for exemption from the PRC income tax for the two years ended 31 December 2002, followed by a 50% reduction in the PRC income tax for the next three years. The PRC income tax is calculated at the applicable rates on assessable profits for the six months ended 30 June 2002.

The PRC income tax of the representation office of the Company's Hong Kong subsidiary is calculated on a deemed income basis.

No Hong Kong Profits Tax has been made for the period as the Group's income neither arises in, nor is derived from, Hong Kong.

Deferred taxation has not been provided in the financial statements as the timing differences are insignificant.

## 8. INTERIM DIVIDEND

The directors have determined that an interim dividend of HK2 cents per share (2001: Nil) amounting to HK\$6,720,000 (2001: Nil) should be paid to the shareholders of the Company whose names appear in the Register of Members on 23 September 2002 and payable on 11 October 2002.

The Register of Members of the Company will be closed from 23 September 2002 to 25 September 2002, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with Hong Kong Registrars Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 20 September 2002.

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the unaudited consolidated profit attributable to shareholders of HK\$18,866,000 for the six months ended 30 June 2002 (2001: HK\$15,453,000) and on the weighted average of number of approximately 283,094,000 shares (2001: 252,000,000). The weighted average number of shares in issue has been calculated on the assumption that 252,000,000 shares, representing 2,000,000 shares in issue as at the date of the Prospectus and 250,000,000 shares in issue as mentioned in the Note 13(e) below, have been issued pursuant to the Group Reorganisation as described in Note 1.

## 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately HK\$24 million on the establishment of its new production facilities for the six months ended 30 June 2002 in order to expand its manufacturing capability.

The Group's land and buildings were revalued on an open market value at 28 February 2002 by DTZ Debenham Tie Leung Limited, an independent valuer. The Directors have considered that there is no material difference between the fair values of the land and buildings as at 30 June 2002 and their fair values as at 28 February 2002. The resulting revaluation surplus of HK\$25,234,000 have been credited to the revaluation reserve.

## 11. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing average credit period of 20 – 120 days to its trade customers.

In additional, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted.

An aged analysis of trade receivables is as follows:

	<b>As at 30 June 2002 HK\$'000 (unaudited)</b>	As at 31 December 2001 HK\$'000 (unaudited)
Within 30 days	<b>45,455</b>	18,811
Between 31 to 60 days	<b>6,524</b>	4,837
Between 61 to 90 days	<b>1,813</b>	1,911
Between 91 to 120 days	<b>656</b>	3,400
Over 120 days	<b>5,626</b>	611
	<hr/>	<hr/>
Trade receivables	<b>60,074</b>	29,570
Other receivables	<b>11,679</b>	8,514
	<hr/>	<hr/>
	<b>71,753</b>	38,084
	<hr/> <hr/>	<hr/> <hr/>

**12. TRADE AND OTHER PAYABLES**

An aged analysis of trade payables is as follows:

	<b>As at 30 June 2002 HK\$'000 (unaudited)</b>	As at 31 December 2001 HK\$'000 (unaudited)
Within 30 days	<b>38,126</b>	23,685
Between 31 to 60 days	<b>8,953</b>	8,116
Between 61 to 90 days	<b>10,662</b>	2,908
Between 91 to 120 days	<b>2,700</b>	1,970
Over 120 days	<b>4,288</b>	3,575
	<hr/>	<hr/>
Trade payables	<b>64,729</b>	40,254
Other payables	<b>9,356</b>	8,747
	<hr/>	<hr/>
	<b>74,085</b>	49,001
	<hr/> <hr/>	<hr/> <hr/>

**13. SHARE CAPITAL**

	<b>Number of shares</b>	HK\$'000
Ordinary share of HK\$0.1 each		
<i>Authorised:</i>		
On incorporation	1,000,000	100
Increase in authorised share capital	1,999,000,000	199,900
	<hr/>	<hr/>
<b>At 30 June 2002</b>	<b>2,000,000,000</b>	<b>200,000</b>
	<hr/> <hr/>	<hr/> <hr/>
<i>Issued and fully paid:</i>		
Allotted and issued as nil paid on incorporation	1,000,000	–
Credited as fully paid from contributed surplus	–	100
Issue of shares upon the Group Reorganisation	1,000,000	100
Capitalisation Issue	250,000,000	25,000
Issue of shares through initial public offering	84,000,000	8,400
	<hr/>	<hr/>
<b>At 30 June 2002</b>	<b>336,000,000</b>	<b>33,600</b>
	<hr/> <hr/>	<hr/> <hr/>

The following changes in share capital of the Company took place during the period from 26 June 2001 (date of incorporation) to 30 June 2002.

The Company was incorporated on 26 June 2001 with an authorised share capital of HK\$100,000 divided into 1,000,000 ordinary shares of HK\$0.1 each. On 10 July, 2001 1,000,000 shares were allotted and issued nil paid.

### 13. SHARE CAPITAL – Continued

Pursuant to resolutions in writing of the sole shareholder of the Company passed on 11 April 2002,

- (a) the authorised share capital of the Company was increased from HK\$100,000 to HK\$200,000 by the creation of an additional 1,000,000 ordinary shares of HK\$0.1 each;
- (b) 1,000,000 ordinary shares HK\$0.1 each were allotted and issued, credited as fully paid at par as consideration for the acquisition by the Company of the entire issued share capital of United Win International Corporation (“United Win”);
- (c) an amount of HK\$100,000, being part of the amount credited to the contributed surplus of the Company arising from the issue of shares described in (b) above, was applied to pay up in full at par the 1,000,000 ordinary shares of HK\$0.1 each allotted and issued on 10 July, 2001 as referred above.
- (d) the authorised share capital of the Company was further increased to HK\$200 million by the creation of a further 1,998 million ordinary shares.
- (e) the directors were authorised to allot and issue a total of 250 million shares of HK\$0.1 each, credited as fully paid at par, to the holders of shares of the Company on the register of members at the close of business on 11 April 2002 in proportion to their then existing holding by way of capitalisation of the sum of HK\$25,000,000 standing to the credit of the share premium account of the Company. Those shares were issued on 24 April 2002 following the placing and public offer of the Company’s shares mentioned in (f) below;
- (f) on 24 April 2002, 84,000,000 ordinary shares of HK\$0.1 each were issued at HK\$0.95 per share for cash through an initial public offering by way of placing and public offer.

All the above shares issued by the Company rank *pari passu* with the then existing shares in all respects.

The paid-up capital as at 31 December 2001 shown in the unaudited condensed consolidated balance sheet represented the aggregate amount of the nominal value of the issued share capital of the Company, United Win, Chief Wealth International Corp., Wang Sing Products Limited and Gerrards Agents Limited at that date.

### 14. CONTINGENCIES AND COMMITMENTS

As at 30 June 2002, the Group had contingent liabilities in respect of bills discounted with recourse of approximately HK\$25,312,000 (31 December 2001: HK\$22,930,000).

As at 30 June 2002, the Group had outstanding capital commitments of HK\$37,584,000 (31 December 2001: HK\$45,806,000) in respect of the acquisition of property, plant and equipment.

**15. RELATED PARTY TRANSACTIONS**

During the period, the Group entered into the following transactions with related parties:

Related companies of the Company in which Mr. Weng Shao Bo, the director of the Company and Madam Dai Wu Fang, a director of JGHEL, have beneficial interests in them

	<b>Six months ended 30 June</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Subcontracting fee (Note)		
Hai An Electronic Meter Factory ("Hai An")	<b>561</b>	—
Hai An Xian Tian Yuan Power Tools Manufacture Company Limited ("Tian Yuan")	<b>280</b>	—

Note: The Group has entered into subcontracting agreements for a period of two years from 1 October 2001 with Hai An and Tian Yuan for paying a sum of RMB80,000 per month and RMB20,000 per month respectively for using their production facilities from 1 October 2001 to 31 December 2001. Thereafter, the subcontracting fees payable to Hai An and Tian Yuan will be increased to RMB100,000 per month and RMB50,000 per month respectively for the remaining period.

**MANAGEMENT DISCUSSION AND ANALYSIS**

The Group adopted the prudent, flexible and cost-effective supply strategy which comprising the manufacturing process of the Group's manufacturing capabilities, subcontracting and outsourcing arrangements, resulting in the steady growth of the Group. For the six months ended 30 June 2002, the Group recorded a turnover of HK\$193,654,000, representing a growth of 17% compared to same period in 2001. The turnover relating to the Group's manufacturing for the six months ended 30 June 2002 represents 64% of the Group's turnover, comparing to 19% of the same period in 2001. The profit attributable to shareholders of HK\$18,866,000 representing an increase of 22% compared to same period in 2001. Earnings per share was HK6.7 cents increased by 10% comparing with same period in 2001. The Directors expect that the net proceeds raised in the initial public offer in April 2002 will be used in accordance with the section "Reasons for the Share Offer and Use of Proceeds" as set out in the Prospectus and the new production facilities will start full production soon, the business of the second half of 2002 will be further developed.

## **MANAGEMENT DISCUSSION AND ANALYSIS** – *Continued*

The growth in turnover is attributable to the aggressive sales strategy targeting new customers including the PRC exporters, and European promotional orders. Considering market situation, though the gross profit margin for those sales to the PRC exporters and European promotional orders are lower than directly sales to overseas customers, the overall gross profit margin still maintains at the same level as the corresponding period in 2001 resulting from the portion of turnover related to manufacturing was increased. With the increase of the production capacity during the period, the Group can utilise more flexible strategy to build up the customer base and develop the business, from PRC exporters to overseas customers; from bulk quantity sales to high gross profit margin sales.

The first phase of the new production base, which is under construction since second half of last year, will be put into use in very near future. The state-of-the-art machine will be imported and installed into the new premises very soon. The scheduled full production is in September 2002. The Directors believe that with the advance machine, new technology, the quality of products will be improved in a great extent. At the same time, the Group will launch newly developed products to the market to meet the market demand. The Directors foresee the business will be further developed.

### **PREVIEW OF OPERATIONS**

The Group maintains its low cost competitive edges, with the dynamic supply system, for the six months ended 30 June 2002, the Group reported total turnover of HK\$193,654,000 and the profit attributable to shareholders of HK\$18,866,000, representing a steady increase of approximately 17% and 22% respectively over the same period in 2001. Since the subcontracting arrangement and new machinery increases the production capacity of the Group, the sales to the PRC exporters was expanded, and this will stabilise the production capacity utilisation, and pave the way for the future production capacity of the new production bases train up the technical workers.

The Group's main business is built and concentrate on the European market and the Group has gain and benefit from the strong performance of Euro in the currency exchange markets, which increases the purchasing power of the European customer.

The proceeds raised from the initial public offering was invested according to the future plan stated in the Prospectus. The obvious effect will be shown in the second half of the year.

As at 30 June 2002, The Group has 941 full time employees.

## **FINANCIAL RESOURCES**

As at 30 June 2002, the Group had an unaudited consolidated net asset value of approximately HK\$154,173,000 (31 December 2001: HK\$44,552,000).

The Group maintains a strong financial position as at 30 June 2002 with cash in hand of approximately HK\$64 million and had no debt financing.

## **PROSPECTS**

Recently, the Group has investing in more than 2,000,000 square feet production base that is under construction since June 2001. The trial production was carried out in August 2002. The net proceeds raised by listing of shares has been utilised properly in according to the "future plans and prospects" stated in the prospectus, namely; investing in the production facilities in order to increase the production capacity and product quality; part of the proceeds has been applied in the research and development and certain newly developed and researched products will be launched in the market in the second half of the year. The Directors believe and have good confidence that Group can produce good quality products with lower cost resulting from the economies of scale.

In the pipeline, the Group is in the process of negotiation with a renowned European DIY chain store operator as the Group's joint venture partner to establish the DIY home improvement centre in the PRC. The preparation work for building the Group's own brand name has been carried out and the Group will develop OBM business segment. The Group will also explore the ideas for manufacturing other types of tools.

With the installation of the EPR system in near future, the Group will see good improvement and a better manage the enterprise resources in greater efficiency of the Group and this will be a plus advantage of the Group.

In view of the slack economic climate, the Group's low cost competitive edge will outperform the other outstanding strengths of the Group. The Directors believe that with the good investment in the advance machineries, new technology, the quality of products will be improved in greater extent and able to cater and meet with the market and customer demand, foresee the business will be further developed and grow extensively.

## **ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES**

### **Purchase, sale or redemption of listed securities**

During the six months ended 30 June 2002, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

**ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES –***Continued***Directors' interests in shares**

At 30 June 2002, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

<b>Name of Director</b>	<b>Number of ordinary shares held</b>				<b>Total Interests</b>
	<b>Personal Interests</b>	<b>Family Interests</b>	<b>Corporate Interests</b>	<b>Other Interests</b>	
Ms. Chen Wai Yuk	–	–	252,000,000 (a)	–	252,000,000

(a) These shares were held by Twinning Wealth Limited which is wholly owned by Ms. Chen Wai Yuk.

**Substantial shareholders**

Other than the interests disclosed above in respect of a director, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest of 10% or more in the issued share capital of the Company as at 30 June 2002.

**Corporate governance**

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2002, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

**Publication of interim results on the Stock Exchange's website**

The financial information required to be disclosed under paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange.

On behalf of the Board  
**Chen Wai Yuk**  
 CHAIRMAN

15 August 2002