旺城國際
WANG SING INTERNATIONAL
控股集團有限公司 HOLDINGS GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

INTERIM REPORT 2004

CORPORATE INFORMATION

REGISTERED OFFICE
Century Yard
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George Town
Grand Cayman
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
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WEBSITE
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BOARD OF DIRECTORS
Executive Directors
Ms. CHEN Wai Yuk *(Chairman)*
Mr. WANG Shu *(Managing Director)*
Miss CHEN Wai Wah

Independent Non-executive Directors
Mr. HO Hao Veng
Mr. WEI Tong Li

AUTHORISED REPRESENTATIVES
Ms. CHEN Wai Yuk
Miss CHEN Wai Wah

COMPANY SECRETARY
Mr. NG Kwok Lun, *CPA, FCCA*

AUDIT COMMITTEE
Mr. HO Hao Veng
Mr. WEI Tong Li

STOCK CODE
2389

AUDITORS
Deloitte Touche Tohmatsu
Certified Public Accountants
26th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS
Heng Sang Bank Limited
83 Des Voeux Road Central
Hong Kong

Standard Chartered Bank
12th Floor
Standard Chartered Tower
388 Kwun Tong Road
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Hong Kong Registrars Limited
Shops 1712-1716
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Hopewell Centre
183 Queen's Road East
Hong Kong

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 2004 together with comparative figures for the corresponding previous period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the six months ended 30 June 2004

	NOTES	Six months ended 30 June **2004** **HK$'000** **(unaudited)**	 2003 HK$'000 (unaudited)
Turnover	3	**157,113**	133,276
Cost of sales		**(134,484)**	(116,001)
Gross profit		**22,629**	17,275
Other operating income		**2,855**	848
Selling and distribution expenses		**(7,727)**	(6,660)
Administrative expenses		**(10,539)**	(7,868)
Profit from operations		**7,218**	3,595
Finance costs	5	**(806)**	(843)
Share of result of an associate		**2,988**	8,527
Amortisation of goodwill on acquisition of an associate		**(342)**	(99)
Profit before taxation		**9,058**	11,180
Taxation	6	**(1,567)**	(4,915)
Profit before minority interest		**7,491**	6,265
Minority interest		**252**	173
Profit for the period		**7,743**	6,438
Interim dividend	7	**4,743**	3,360
Earnings per share (in Hong Kong cents) – Basic	8	**2.0**	1.9

CONDENSED CONSOLIDATED BALANCE SHEET – UNAUDITED

At 30 June 2004

	NOTES	**As at 30 June 2004 HK$'000 (unaudited)**	As at 31 December 2003 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	9	**143,800**	144,015
Intangible assets	10	**9,008**	9,319
Interest in an associate	11	**17,933**	16,780
		170,741	170,114
Current assets			
Inventories		**30,215**	20,789
Trade and other receivables	12	**65,950**	49,326
Deposits and prepayments		**21,969**	33,332
Amount due from an associate	20	**36,520**	–
Amount due from a company owned by a former director		**8,698**	8,698
Loan to an associate	20	**16,530**	16,821
Pledged bank deposits	17	**13,503**	9,997
Bank balances and cash		**40,304**	35,338
		233,689	174,301
Current liabilities			
Trade and other payables	13	**113,360**	82,752
Deposits and accrued expenses		**7,861**	5,580
Amount due to an associate		**–**	1,826
Tax payable		**1,098**	1,098
Dividends payable		**1,976**	–
Unsecured bank borrowings	14	**21,146**	68,685
		145,441	159,941
Net current assets		**88,248**	14,360
Total assets less current liabilities		**258,989**	184,474
Minority interest		**(100)**	(353)
		258,889	184,121
Capital and reserves			
Share capital	15	**39,523**	34,450
Reserves		**200,966**	131,303
		240,489	165,753
Non-current liabilities			
Other payable	16	**9,425**	9,759
Deferred taxation		**8,975**	8,609
		18,400	18,368
		258,889	184,121

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2004

	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Revaluation reserve HK$'000	Translation reserve HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2003 (restated)	33,600	32,421	800	16,952	449	710	62,609	147,541
Exchange gain on translation of overseas operation	–	–	–	–	192	–	–	192
Release of revaluation reserve	–	–	–	(255)	–	–	255	–
Net gain (loss) not recognised in the condensed consolidated income statement	–	–	–	(255)	192	–	255	192
Profit for the period	–	–	–	–	–	–	6,438	6,438
At 30 June 2003	33,600	32,421	800	16,697	641	710	69,302	154,171
Exchange gain on translation of overseas operation	–	–	–	–	150	–	–	150
Release of revaluation reserve	–	–	–	(255)	–	–	255	–
Net gain (loss) not recognised in the condensed consolidated income statement	–	–	–	(255)	150	–	255	150
Issue of shares for acquisition of intangible assets and raw materials	850	11,645	–	–	–	–	–	12,495
Profit for the period	–	–	–	–	–	–	5,657	5,657
Dividends paid	–	–	–	–	–	–	(6,720)	(6,720)
At 31 December 2003	34,450	44,066	800	16,442	791	710	68,494	165,753
Exchange loss on translation of overseas operation	–	–	–	–	(219)	–	–	(219)
Release of revaluation reserve	–	–	–	(255)	–	–	255	–
Reversal of deferred tax liability arising on revaluation of land use right	–	–	–	42	–	–	–	42
Net gain (loss) not recognised in the condensed consolidated income statement	–	–	–	(213)	(219)	–	255	(177)
Shares issued at premium	5,800	71,500	–	–	–	–	–	77,300
Repurchase of shares	(727)	(7,427)	–	–	–	–	–	(8,154)
Profit for the period	–	–	–	–	–	–	7,743	7,743
Dividends payable	–	–	–	–	–	–	(1,976)	(1,976)
At 30 June 2004	**39,523**	**108,139**	**800**	**16,229**	**572**	**710**	**74,516**	**240,489**

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS – UNAUDITED

For the six months ended 30 June 2004

	Six months ended 30 June	
	2004	2003
	HK$'000	HK$'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(10,497)**	(30,645)
NET CASH USED IN INVESTING ACTIVITIES	**(2,638)**	(21,325)
NET CASH FROM FINANCING ACTIVITIES		
New secured and unsecured bank borrowings raised	**–**	62,571
Repayment of unsecured bank borrowings	**(47,539)**	–
Increase in pledged bank deposits	**(3,506)**	(2,185)
Proceeds from issue of shares	**77,300**	–
Payments on repurchase of shares	**(8,154)**	–
	18,101	60,386
NET INCREASE IN CASH AND CASH EQUIVALENTS	**4,966**	8,416
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**35,338**	20,720
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**–**	2
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**40,304**	29,138
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**40,304**	29,138

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2004

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2003.

3. SEGMENT INFORMATION

The Group is engaged in the manufacture and distribution of power tools and air 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.

Segment information by location of customers:

For the six months ended 30 June 2004:

	Germany HK$'000	Other European countries HK$'000	Europe Sub-total HK$'000	Asia HK$'000	North America and other continents HK$'000	Consolidated HK$'000
Turnover	68,354	55,365	123,719	11,650	21,744	157,113
Segment results	7,220	11,917	19,137	1,132	2,360	22,629
Unallocated corporate income						2,855
Unallocated corporate expenses						(18,266)
Profit from operations						7,218
Finance costs						(806)
Share of result of an associate	2,988					2,988
Amortisation of goodwill on acquisition of an associate	(342)					(342)
Profit before taxation						9,058

3. SEGMENT INFORMATION – *continued*

For the six months ended 30 June 2003:

	Germany HK$'000	Other European countries HK$'000	Europe Sub-total HK$'000	Asia HK$'000	North America and other continents HK$'000	Consolidated HK$'000
Turnover	74,083	31,020	105,103	21,053	7,120	133,276
Segment results	8,333	5,958	14,291	2,429	555	17,275
Unallocated corporate income						848
Unallocated corporate expenses						(14,528)
Profit from operations						3,595
Finance costs						(843)
Share of result of an associate	8,527					8,527
Amortisation of goodwill on acquisition of an associate	(99)					(99)
Profit before taxation						11,180

4. DEPRECIATION AND AMORTISATION

	Six months ended 30 June 2004 HK$'000 (unaudited)	2003 HK$'000 (unaudited)
Depreciation of property, plant and equipment	**2,849**	1,933
Amortisation of intangible assets included in administrative expenses	**311**	–
Amortisation of goodwill on acquisition of an associate	**342**	99

5. FINANCE COSTS

The finance costs represent interest on bank borrowings wholly repayable within one year and discounted bill charges.

6. TAXATION

	Six months ended 30 June 2004 HK$'000 (unaudited)	2003 HK$'000 (unaudited)
PRC income tax	**–**	119
Share of taxation attributable to an associate	**1,266**	3,749
Deferred tax	**301**	1,047
	1,567	4,915

The Company's subsidiary, Jiangsu Golden Harbour Enterprise Limited, operating in the PRC is eligible for exemption from the PRC income tax for the year ended 31 December 2003, 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 the assessable profits for the year.

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

Deferred tax charged to the income statement represents the withholding tax on the undistributed earnings of the associate shared by the Group. Deferred tax relating to the revaluation of the Group's properties has been charged directly to equity.

7. INTERIM DIVIDEND

The Directors have determined that an interim dividend of HK 1.2 cents per share (2003: HK 1 cent per share) amounting to HK$4,743,000 (2003: HK$3,360,000) be payable on 10 November 2004 to the shareholders of the Company whose names appear on the Register of Members on 28 October 2004.

The Register of Members of the Company will be closed from Friday 29 October 2004 to Thursday 4 November 2004, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for entitlement to the interim dividend declared, all transfers accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Share Registrars, Hong Kong Registrars Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration by not later than 4:00 p.m. on Thursday 28 October 2004.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the unaudited consolidated profit for the period of HK$7,743,000 for the six months ended 30 June 2004 (six months ended 30 June 2003: HK$6,438,000) and on the weighted average number of 388,237,000 (six months ended 30 June 2003: 336,000,000) shares.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The Group spent HK$2,638,000 (six months ended 30 June 2003: HK$21,334,000) on the establishment of its new production facilities for the six months ended 30 June 2004 in order to expand its manufacturing capability.

At 30 June 2004, the Directors have considered the Group's land use rights carried at revalued amounts and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date.

10. INTANGIBLE ASSETS

In 2003, the Group has acquired patents, trademark and know-how (collectively "Intangible Assets") from a third party, amounting to HK$9,319,000. No amortisation was charged for the year ended 31 December 2003, as the Intangible Assets were not put into production. In the opinion of the Directors, the Intangible Assets will be amortised over estimated economic lives of 5 to 15 years, and amortisation has been provided during the current period.

11. INTEREST IN AN ASSOCIATE

	As at 30 June 2004 HK$'000 (unaudited)	As at 31 December 2003 HK$'000 (audited)
Share of net assets	**5,265**	3,770
Goodwill on acquisition of an associate	**13,695**	13,695
Less: Accumulated amortisation	**(1,027)**	(685)
	12,668	13,010
	17,933	16,780

At 30 June 2004, the Group had interest in the following associate:

Name of entity	Form of business structure	Place of incorporation and operation	Class of shares held	Proportion of issued share capital held by the Group	Nature of business
SBW Technische Gerate GmbH ("SBW")	Corporation	Germany	Ordinary	50%	Distribution of power tools

The goodwill on acquisition of an associate arose on the acquisition of SBW is capitalised and amortised on a straight-line basis over its estimated useful economic life of 20 years. Amortisation charged in the current period amounting to HK$342,000 (six months ended 30 June 2003: HK$99,000) has been included in the amount reported as share of result of an associate in the condensed consolidated income statement.

11. INTEREST IN AN ASSOCIATE – *continued*

The Group's entitlement to share in the profits of its associate is in proportion to its ownership interest. The financial information of the associate, which is derived from unaudited financial statements, made up to 30 June 2004, is as follows:

	Six months ended 30 June	
	2004	2003
	HK$'000	HK$'000
Turnover	**104,866**	126,713
Profit before taxation	**7,045**	17,055
Profit before taxation attributable to the Group	**2,988**	8,527

	As at 30 June 2004 HK$'000	As at 31 December 2003 HK$'000
Current assets	**132,264**	104,904
Current liabilities	**(118,758)**	(95,321)
Net assets	**13,506**	9,583
Net assets attributable to the Group	**5,265**	3,770

12. TRADE AND OTHER RECEIVABLES

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

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

An aged analysis of trade receivables is as follows:

	As at 30 June 2004 HK$'000 (unaudited)	As at 31 December 2003 HK$'000 (audited)
Within 30 days	**19,141**	9,714
Between 31 to 60 days	**10,013**	9,260
Between 61 to 90 days	**6,186**	7,319
Between 91 to 120 days	**956**	580
Over 120 days	**12,614**	13,586
Trade receivables	**48,910**	40,459
Other receivables	**17,040**	8,867
	65,950	49,326

13. TRADE AND OTHER PAYABLES

An aged analysis of trade payables is as follows:

	As at 30 June 2004 HK$'000 (unaudited)	As at 31 December '2003 HK$'000 (audited)
Within 30 days	**44,658**	32,423
Between 31 to 60 days	**33,241**	12,366
Between 61 to 90 days	**8,861**	4,442
Between 91 to 120 days	**3,789**	1,703
Over 120 days	**11,465**	15,210
Trade payables	**102,014**	66,144
Other payables	**11,346**	16,608
	113,360	82,752

14. UNSECURED BANK BORROWINGS

The unsecured bank borrowings carry interest at commercial rates and are payable within one year.

15. SHARE CAPITAL

Ordinary shares of HK$0.10 each

Issued and fully paid

	Number of shares '000 (unaudited)	**Share capital** HK$'000 (unaudited)
At 1 January 2004	344,500	34,450
Issue of new shares	58,000	5,800
Shares repurchased	(7,270)	(727)
At 30 June 2004	**395,230**	**39,523**

16. OTHER PAYABLE

The amount represents the remaining consideration due to the shareholders of SBW of EUR1,000,000 which is interest free, for the acquisition of a 50% interest in SBW as agreed in the Joint Venture Agreement dated 23 August 2002. The shareholders of SBW have agreed not to demand repayment of the investment costs within one year from the balance sheet date. Accordingly, the amount is classified as a non-current liability.

17. PLEDGE BANK DEPOSITS

The amounts represent deposits pledged to banks to secure bank facilities granted to the Group.

18. CONTINGENCIES AND COMMITMENTS

As at 30 June 2004, the Group had

(a) no contingent liabilities (31 December 2003: bills discounted with recourse of HK$13,122,000).

(b) capital expenditure of HK$10,144,000 (31 December 2003: HK$10,166,000) in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements.

19. RELATED PARTY TRANSACTIONS

During the period, the Group sold goods to an associate amounting to HK$59,682,000 (six months ended 30 June 2003: HK$68,976,000). The transactions were carried out at market price or, where no market price was available, at cost plus a percentage profit mark-up.

20. ADVANCES TO AN ENTITY

At 30 June 2004, the following balances with the associate, which, in aggregate, exceed 8% of the total assets of the Group at 31 December 2003, are disclosed pursuant to the disclosure requirements under the rules 13.13, 13.14 and 13.15 of the Listing Rules:

	Balance at 30 June 2004 HK$'000	% to the total assets value at 31 December 2003
Trade receivable from an associate	**36,520**	10.6%
Loan to an associate	**16,530**	4.8%
Advances to an associate	**53,050**	15.4%

20. ADVANCES TO AN ENTITY – *continued*

Notes:

1. The Group's consolidated total assets at 31 December 2003 amounted to HK$344,415,000.

2. The above trade receivables from an associate were resulted from sales by a subsidiary of the Company in its ordinary course of business. The above trade receivables from an associate are unsecured and are in accordance with terms specified in the contracts governing the relevant transactions (such as delivery periods and payment periods, rights and obligations of the associate in respect of its performance under the contracts). No collateral is required to be made by the associate and no interest is charged on the trade receivables. The credit period of the trade receivables from an associate of the Group is 120 days.

3. The following is an aged analysis of trade receivables from the associate at the balance sheet date:

	As at 30 June 2004 HK$'000 (unaudited)	As at 31 December 2003 HK$'000 (audited)
Within 30 days	**25,793**	–
Between 31 to 60 days	**5,242**	–
Between 61 to 90 days	**5,485**	–
	36,520	–

4. Loan to an associate is unsecured and is repayable on demand. It carries interest at commercial rate (31 December 2003: interest free).

Save as disclosed above, at 30 June 2004, there was no other advance (including trade receivables and other receivables), which would give rise to a disclosure obligation pursuant to the rules 13.13, 13.14 and 13.15 of the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

In the first half of 2004, the economies of the peripheral area of China significantly improved upon the subsiding of the SARS epidemic. The market atmosphere rapidly recovered and favourable business environment further spurred the development of the industry, providing fresh impelling force to the growth and development of the manufacturing industry. China's manufacturing industry developed steadily and the opening of the market attracted foreign capital injections. In addition, the relatively low production cost in China also resulted in a gradual relocation of production base of global enterprises to mainland China, which stimulated the robust development of China's manufacturing sector. With the sustainable growth of the Chinese economy, manufacturing industry is facing a prosperous future, in which the power tool and air tool industry is one of the beneficiaries.

However, in view of the overheating of certain domestic industries, the Chinese Government implemented macroeconomic control measures in the first half of 2004 to ensure the healthy growth of the overall economy. The measures not only tightened bank credit, but also led to the increase in price and transportation cost of certain raw materials. From March to May of this year, the price of raw materials increased substantially, especially for steel, aluminum, copper and plastic. The price increase of raw materials affected some industries to a certain extent and became a great challenge to the manufacturing industry in 2004.

The global power tool industry continued to grow with immense market potential. According to the statistics from the power tool magazine, benefiting from the infrastructure and construction projects of developing countries and their commitments in improving the quality of life, the annual growth rate of the global demand for power tool is expected to reach 6% till 2007. Currently, China accounts for approximately 10% of the global production of power tool, of which mostly are for export. It is expected that the value of power tools exported by China will amount to approximately USD1.38 billion, representing an annual growth rate of 16%. In view of the continuous strong growth of China's economy, the sales of power tools in China will be increased. This, coupled with the fact that professional power tools are still mainly imported, illustrate the fact that there is enormous room for development in the domestic market. The major markets of power tools are North America, Europe and Asian Pacific regions etc.

The major markets of air tools include the United States, Europe and Japan. The sales of air staplers in the United States alone amounted to USD650 million in 2003, which is the largest market, followed by the European and Japanese markets. The demand for air staplers in the United States grew steadily, with an average growth rate of 9.46%. The stable growth of the market brought forth impressive profit growth potential and ideal development conditions for air tool business.

Dividends

The Board of Directors recommended to declare an interim dividend of HK 1.2 cents per share for the six months ended 30 June 2004.

Business Review

Despite the pressure of higher costs such as increasing prices of certain raw materials and transportation cost resulted from the implementation of macroeconomic control measures by the Chinese Government in the first half of 2004, the Group strengthened its corporate management through cost and quality management and successfully reduced various consumptions in the production procedures. Meanwhile, the Group increased production and sales, developed new products to offset the pressure of increasing costs and enhancing economic efficiency to minimize the influences of the implementation of macroeconomic control measures.

With successful business transformation, the Group's performance improved as compared with that of the corresponding period of last year. The Group adjusted its business model from selling to the middleman in the past to directly cooperating with famous brands and large chain stores in developing its own products. The Group successfully explored new customers that propel its profit growth. Likewise, the Group further maintained a balance between outsourcing and self-manufacturing activities and committed to increasing the share of self-manufacturing activities to 58% (2003: 43%) in order to reduce the risk arising from outsourcing and ensure prominent product quality. Moreover, the enhancement in the production capacity of the new plant and the continuous increase in production efficiency fuelled the Group's profit growth.

Within the period under review, the Group continued to expand the power tool and air tool markets and made significant accomplishments. The sales of power tools maintained a steady growth in the first half of the year and mainly sold to Europe. Within the period under review, the Group succeeded in exploring the business in the Australia which became the second major market of the Group with a share of 12% (the first half of 2003: 0%). Currently, the Group continues to cooperate with renowned brands and chain operators in Europe and USA, including the world's sixth largest DIY chain store Leroy Merlin.

In respect of the air tool, the Group is currently the only large-scale professional air tool manufacturer in China. The Group has the right of using over 20 World patents and trademarks. Products are mainly sold to chain stores and distributors in the United States and Japan. The market potential is huge as demand exists in different sectors. The product has a higher margin than power tool because it is technologically more advanced. However, the air tool business was fully introduced to the plant in China only until the second half of 2003, it was therefore still undergoing the consolidation period in the first half of 2004 and has yet to make outstanding contributions. Nevertheless, the Group has succeeded in attracting new customers of well known brands from the United States and Japan in the beginning of 2004 and obtaining bulk orders from OEM air tool customers. The air tool business is expected to improve in the second half of this year and become the new growth momentum of the Group's future business development.

In the period under review, the business of SBW Technische Gerate GmbH ("SBW"), a German associate, slightly worsened as compared with the corresponding period of the previous year. This is mainly due to a change in the European market, and the price competition among competitors. In addition, some of the European large clients tend to directly purchase from domestic manufacturers, therefore, the business of agents may be affected to a certain extent. The result of the associate attributable to the Group was amounted to HK$2,988,000, representing a year-on-year decrease of 65%. The Group's current business with SBW still mainly engaged in the development of products of fixed brands and types such as OEM or ODM. We planned to jointly develop more products and establish our own brand. It is expected that the number of orders will be increased in the second half of 2004.

With the Group's production facilities and capacity, the utilisation rate of the plant continued to enhance in the first half of the year, the current overall utilisation rate has reached around 60%. In respect of the capacity of air tools, the Group's expansion plan is under satisfactory progress. It is expected that the Group's capacity of air tool will be enhanced remarkably in the fourth quarter. The Group continued to carry out R&D on new products during the period under review and launched seven new power tool products (including 2 kinds of specialized products and various products pending application of patents) and five new air tool products in total. While exploring new markets, the Group actively developed products with higher profit margin to strive to enhance the Group's profitability with its competent R&D team.

The Group established the Operational Management Committee ("Management Committee") in the beginning of 2004. During the period under review the Management Committee formulated annual work plans, established operation focuses as well as the annual targets and business strategies instructed by the Board. During the review period, the Golden Harbour Plant had overall improvements in management, production level and cost control under the supervision of the Management Committee. The result of the second half of the year is expected to further demonstrate the effectiveness of the supervision by the Management Committee.

The Group fully embraced the importance of professional working team as the key to the Group's long-term success. During the period under review, the Group provided its domestic staff with a series of training courses, with a view of enhancing the quality of the staff. By promoting outstanding staff internally, the Group endeavoured to reward for their relentless effort contributed to the Group. Moreover, by organising various cultural activities and ball games, the Group motivated and strengthened the team spirit of its staff members, deepened its understanding of its staff and established the spirit of cooperation and trust.

Financial Review

Turnover and Profit Analysis

For the six months ended 30 June 2004, the unaudited turnover of the Group was amounted to approximately HK$157,113,000, representing an increase of 17.89% as compared to the corresponding period of 2003. Profit attributable to shareholders was approximately HK$7,743,000, representing an increase of 20.27% comparing with the corresponding period of 2003.

The increase in turnover and profit attributable to shareholders was mainly due to the enhancement of product positioning and the adjustment of the Group's market operation. By screening out product orders with low quality, low profit and high risk, the Group effectively reduce its profit risk. Despite the effect of unfavourable factor brought forth by the increasing price of raw materials, the Group actively exercised stringent supervision over production cost and, thus, the Group's profit was minimally affected.

Turnover Breakdown by Products and Geographical Locations

In terms of products, power tool was still the largest income source of the Group, representing 90% the turnover. Since the air tool business was still undergoing the consolidation period in the first half of 2004, its share in turnover was 5%, which was relatively small. The share of air tool is expected to grow in the future.

Geographically, Europe remains as the major market of the Group. Turnover derived from the German market accounted for 44% of total turnover. Together with 35% of other regions in Europe, turnover derived from the European markets accounted for over 70% of the Group's total turnover. The performance of the Australian market grew rapidly, representing approximately 12% (the first half of 2003: 0%) of the Group's turnover, which proved the Group's success in developing the Australian market. The share of the Asian market dropped from 15% of last year to 7%. It was mainly due to the increase of the Group's turnover from other regions which decreased the share of the Asian market comparing with the previous year. Upon the adjustment of the overall sales, turnover of the Asian market is expected to have a mild growth in the second half of the year. The turnover of the United States and other markets currently still accounted for a relatively small share of approximately 2%.

Gross Profit and Profit Margin Analysis

For the six months ended 30 June 2004, the Group's overall gross profit margin increased from 12.96% for the corresponding period last year to 14.40%. The gross profit of power tools was about 13% while the gross profit of air tools was about 29%. The increase in gross profit was mainly due to the Group's success in attracting new customers and the satisfactory sales of new products.

Debt Analysis

As at 30 June 2004, the Group's total borrowings amounted to HK$21,146,000, all of which were bank loans and will be repayable within one year. As at 30 June 2004, the Group's gearing ratio (bank loan/equity) was 8.72% and the current ratio is 1.63 times. Currently, the gearing ratio of the Group has resumed to a very low level as the Group has repaid most of its short-term loans after the share placement at the beginning of the year.

In order to further strengthen the financial resources of the Group, it exercised share placement in January 2004, the net proceeds from placement was HK$77,300,000 and was mainly used to purchase additional production facilities for air tool and used as ordinary working capital.

Account Receivables and Inventories Analysis
For the six months ended 30 June 2004, the account receivable turnover days was approximately 118 days and that for year ended 31 December 2003 was 61 days respectively. This is because the average sales of the Group in May and June increased and the account receivable turnover days granted by the Company to the major clients is 120 days. Therefore, the account receivable turnover days were longer than the corresponding period last year. The inventory turnover days were approximately 41 days and 36 days for the 2 periods respectively. The increase of inventory turnover days was due to the production proportion of the Group increased that pulled up the inventory level appropriately.

Pledge of Assets
For the six months ended 30 June 2004, the pledged bank deposits were amounted to HK$21,146,000, while it was HK$68,685,000 in last year.

Exposure to Foreign Exchange Risks
The Group's revenues and expenses are all denominated in US dollars, HK dollars and RMB. In the period under review, our working or operating capital was not significantly affected by the fluctuation of exchange rates.

PROSPECTS

For the first half of 2004, the Group's business transformation was proved to be successful and effective. Meanwhile, the implementation of a series of stringent cost control measures not only offset the impacts of the implementation of macroeconomic control measures by the Chinese Government, but also enabled the Group to enhance its operation efficiency. The Group also effectively deployed its funds in optimising production facilities, provided training for its staff and enhanced its production capacity. The Board of Directors and the management of the Group will continue to tighten cost control in the second half of 2004, in order to strengthen its competitiveness and maintain its profit margin at a reasonable level.

The Group will proactively seek after cooperation with internationally renowned enterprises. Through continuously improving its production facilities and management model, the Group is much stronger than other domestic suppliers. As such, the Group is now negotiating with the World renowned brands or chain stores for cooperation opportunities and the intention of project cooperation, which contributed to the ample room for business growth.

While its production capacity was getting more mature, the production facilities and management model of the Golden Harbour continued to improve and optimise. The proportion of self-manufacturing activities of the Group will continue to climb. In addition, the Group managed to control the product quality and cost more effectively by expanding the mould injection process of the products. The increasing proportion of self-manufacturing activities will enable the Group to improve its production scale, and enjoy a large economies of scale by the bulk purchase of raw materials thus enhancing its profitability and motivate its future development. The Group endeavours to increase the proportion of self-manufacturing activities while searching for appropriate outsourcing manufacturers, so as to capitalise on its advantages and to consolidate its leading market position.

Upon the successful business transformation of the Group, it signed a letter of intent on cooperation with a World renowned power tool manufacturer by the end of 2003. During the period under review, with smooth cooperation, we achieved satisfactory progress. It is expected that the power tool business will grow rapidly in the second half of the year. Meanwhile, the Group has appointed a famous agent to further enhance its performance in the North American market. The Group and SBW will continue to join hands in new product development. SBW is the Group's platform to provide quality products to its European customers and to obtain latest information of the market for the sustainable development of the European market. In view of the opening of the market and tremendous opportunities emerged upon China's entering into the World Trade Organisation ("WTO"), the Group is proactively capturing any suitable opportunity to enhance the sales of air tools and manual tools and extend its reach to the vast China market.

The Group expects that the contribution of the sales of air tools will significantly improve in the second half of 2004, which is mainly due to the encouraging progress in exploring the American, Japanese and European markets. In respect of the American market, all large-scale hardware facilities and equipment are new and complete. The Group has succeeded in manufacturing professional air staplers and compressor accessories under OEM and ODM mode. Its major markets are all professional sales markets and household chain retailers. The Group also entered into an agreement with a renowned agent to further expand its business to hardware market and stores in the United States with its self-developed brand Airy, to stimulate the sales of its self-developed products and provide impetus for further profit growth. Also, the Group is cooperating with a long-established air tool manufacturer and importer in Japan. The Group will launch air tool products and provide processing and assembling services for its product component parts in Japan and other regions. The Group also entered into an initial cooperation transaction with a large-scale chain distributor in Europe to market its air tool products to non-professional stores in Europe.

In order to strengthen the Group's R&D capabilities, in addition to developing specialised products, the Group will target at different markets and develop different products to accommodate the different needs of the clients, the Group develop more new advanced products with diversified functions, and provide a more comprehensive product line. The Group is planning to establish a R&D centre in Taiwan, which is expected to put into service by the end of 2004. The establishment of the Taiwan R&D centre will further enhance the Group's R&D capabilities, enable the collection of latest information of the market, stay abreast with the trend of product development and accelerate product development process to satisfy market demand. The Group is determined to develop more new products in the second half of this year. It plans to develop 18 new power tool products and 7 new air tool products. The Group is expected to develop a total of 25 new power tool products and 12 air tool products in order to strengthen its competitiveness and consolidate its leading market position for the year 2004.

Apart from implementing its development policy and continue to expand its existing European, Australian and Japanese markets, the Group will also strengthen its market presence in the United States in the second half of 2004. Currently, the Group has entered into initial cooperation with a famous brand in the United States and is under negotiation of the relevant details. The Group is actively expanding its business network and exploring more new markets to establish a solid foundation for the Group's long-term development.

Looking ahead, the Group will continue to search for suitable mergers and acquisitions opportunities to further enhance its business and consolidate its market position, so as to realise the fruitful results of its successful business transformation. We endeavour to improve product quality, introduce stringent cost control and strengthen its capabilities and transparency of the Group's operation. Wang Sing International is committed to propelling the Group's future development and is well-poised to become one of the leading power tool and air tool manufacturers in China.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2004, the Group has approximately 1,680 (at 30 June 2003: approximately 1,088) employees. The employees were remunerated based on their performance with reference to the prevailing industry practices. Their remunerations are reviewed annually and discretionary bonuses are distributed as drives and encouragements for personal performance to reward and motivate individual performance.

CORPORATE GOVERNANCE

None of the Directors of the Company is aware of any information which would reasonably indicate that the Company is not, or was not for any part of the period, in compliance with the Code of Best Practice as set out by The Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rule.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2004, the interests of the directors and their associates in the shares of the Company, and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ms. Chen Wai Yuk	Beneficial Owner	208,356,000 *(a)*	52.7%
Mr. Wang Shu	Held by spouse *(b)*	208,356,000 *(b)*	52.7%

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

(b) Mr. Wang Shu is deemed to be interested in 208,356,000 shares of the Company, being the interests held beneficially by his spouse Ms. Chen Wai Yuk.

SUBSTANTIAL SHAREHOLDERS

Other than disclosed above in the section "Directors' Interests in Shares" at 30 June 2004, the shareholder (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("the SFO") or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company were as follows:

Long Positions in the Shares of the Company

Name of Shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Arisaig Greater China Fund Limited *(Note)*	Beneficial Owner	39,212,000	9.9%

Note: The above interests are beneficially owned by Arisaig Greater China Fund Limited. Arisaig Partners (Mauritius) Ltd is the investment manager of Arisaig Greater China Fund Limited and is thereby deemed to have an interest in the shares in which Arisaig Greater China Fund Limited is interested.

Lindsay William Ernest Cooper has only an indirect 33% beneficial interest in Arisaig Partners (Mauritius) Ltd but is thereby deemed to have interests in the shares in which Arisaig Partners (Mauritius) Ltd is interested.

Save as disclosed above, as at 30 June 2004, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALES OR REDEMPTION OF SHARES

The Company and the Placing Agent entered into a placing and underwriting agreement on 29 January 2004 for the placing of 58,000,000 Placing Shares at a placing price of HK$1.37 per Placing Shares to not less than six independent individual or institutional investors.

During the six months ended 30 June 2004, the Company had purchased a total of 7,268,000 shares of the Company at an aggregate consideration of HK$8,128,440.10 on the Stock Exchange of Hong Kong Limited ("the Stock Exchange") and all of these shares were cancelled, detailed of which were as follows:–

Method of Purchase	Month of Purchase	Number of Share Purchased	Highest Price/Share	Lowest Price/Share	Aggregate Consideration
			HK$	*HK$*	*HK$*
On the Stock Exchange	April 2004	732,000	1.13	1.08	803,800.00
	May 2004	2,608,000	1.15	1.09	2,891,200.00
	June 2004	3,928,000	1.15	1.09	4,433,440.10
Total		7,268,000			8,128,440.10

The Directors considered that the aforesaid shares were purchased at a discount to the net asset value per share and resulted in an increase in the net asset value per shares then in issue. Save as disclosed herein, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the period under review.

AUDIT COMMITTEE

The Company has formed an audit committee comprising two independent non-executive Directors. The audit committee has reviewed with management the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the unaudited interim financial statements for the six months ended 30 June 2004.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The financial information required to be disclosed under paragraph 46(1) to 46(9) and 46.2 of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk.

By Order of the Board
Chen Wai Yuk
Chairman

Hong Kong, 23 September 2004