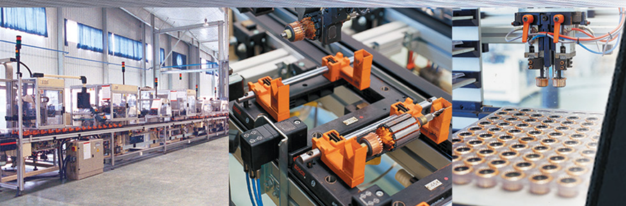
旺城國際
WANG SING INTERNATIONAL
控股集團有限公司 HOLDINGS GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

Interim Report 2005



Power Tools
Air Tools

CONTENTS

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

During the first half of 2005, various macro-economic austerity measures implemented by the PRC government to ensure the sustainable and healthy long-term development of the economy began to bear fruit. Those measures not only successfully curbed excessive investment, but also facilitated the steady growth of the economy. However, the persistent surge in the prices of raw materials coupled with intensifying market competition resulting from the gradual utilisation of the expanding productive capacity in certain sectors over the past few years have exerted mounting pressure on the gross profits of enterprises. As a result, the overall market environment of the manufacturing sector was very challenging in 2005.

The global demand for power tools witnessed steady growth in recent years and is expected to increase at an annual rate of 5% to more than USD29 billion by 2009. The growth momentum in developing countries and Eastern European markets is particularly strong. The PRC has become the major producer and exporter of power tools in the international arena. As regards air tools, sales of air staplers to the US alone amounted to USD0.65 billion in 2003. In 2004, the global sales of air tools even reached USD2.7 billion. In view of the stable market growth, it is expected that the air tool business will have immense potential for growth and the future prospect remains promising.

DIY tools constituted the core market segment in the global tool markets as DIY practice becomes increasingly fashionable with the rise in the living standard. Professional tool users accounted for more than 60% of the overall power tool market in 2004. Since professional power tools are categorised as higher end products with higher added value, it is expected that professional tools will account for 70% of the market share of the tool market in 2007. Air tools, characterised by their high efficiency and speed, have primarily been used for professional purposes. With the technology enhancement of professional tools, the launch of new products and the ever-increasing demand, the production and demand for new power tools, in particular the air tools will continue to increase.

MANAGEMENT DISCUSSION AND ANALYSIS – *continued*

Dividends

The Board of directors recommended the payment of an interim dividend of HK0.8 cents per share for the six months ended 30 June 2005 so as to pay tribute for the support of the Group's shareholders.

Business Review

During the first half of 2005, the Group's overall results fell short of last year's performance, primarily due to the surge in the prices of raw materials. Prices of certain major raw materials soared more than 20% as compared to those at the end of 2004, resulting in the increase in cost and the decline in the Group's profitability. In order to alleviate the pressure of increasing production cost arising from the skyrocketing prices of raw materials, the Group implemented corresponding measures and reduced the self-manufacturing ratio to 32% (the first half of 2004: 58%) during the period under review. By outsourcing production, maintaining a stable inventory level, strengthening the bargaining power and reinforcing stringent cost control measures, the Group succeeded in alleviating part of the pressure arising from rising production cost and managed to achieve stable profit margin comparable to that of the corresponding period last year. During the period under review, orders from most of the Group's clients grew steadily, however, sales orders from the German market slumped due to the strategic changes of an associated company, and products for newly secured clients during the period were still at research and development stage, contributing to a less than satisfactory overall results.

During the period under review, the power tool business remained the major source of income, accounting for approximately 81.1% of the total turnover while air tools and other products accounted for 18.9% (the first year of 2004: power tools: 90%, air tools and other products: 10%). Notwithstanding the intense competition within the power tool market, the Group still managed to secure increased orders from most of its clients due to the sustainable growth in the demand for competitively priced products and professional tools. As regards air tools, since power tools and air tools are highly complementary and share similar clientele, the Group has already established a solid client base. During the first half of 2005, the Group has successfully entered into a cooperative agreement with a renowned US professional tool brand for the joint development and production of air tool and power tool product series. During the period under review, these products were still at the research and development stage, and are expected to be launched into the market and bring in profit contribution for the Group in 2006.

MANAGEMENT DISCUSSION AND ANALYSIS – *continued*

Business Review – *continued*

During the period under review, the Group proactively consolidated its business foundation in existing markets. It successfully received sales orders from chain store clients in France while its performance in the UK market also recording growth. Except Germany, the Group achieved steady growth in all markets and even began to receive orders from South America, a sign of the Group's encouraging performance. Building on its previous success in cooperating with internationally renowned brands and large chain store customers, the Group will continue to position itself in such business direction in the second half of the year and focus on the exploration of the new North American market at the same time. The Group is fully prepared and will actively seek groundbreaking business development. With the growing number of its customers, the Group has more than 110 clients, including mainly internationally renowned chain operators and major power and air tool distributors spanning across Europe and the United States including Praktiker, Leroy Merlin, Campbell Hausfeld and TIP.

As for the development of new products, the Group successfully launched 15 new power tool products and 1 new air tool product in the first half of 2005. As at 30 June 2005, the Group had a total of 58 professional research and development staff and 140 technicians. The Group's research and development centre in Taiwan developed as planned during the period and maintained close connection with the Group's research and development headquarter in the PRC, so as to carry out the joint research and development of new products and product enhancement. The Group has expedited the pace of its research and development, improved its product quality and launched an increasing number of new products into the market.

MANAGEMENT DISCUSSION AND ANALYSIS – *continued*

Financial Review

Turnover Breakdown by Products/Geographical Locations

In terms of products, power tool remained the largest income source of the Group, representing 81.1% of the total turnover. During the period under review, new orders for air tools increased steadily but still fell short of the Group's expectation. Air tools and other products accounted for 18.9% of the turnover (the first half of 2004: power tools: 90%, air tools and other products: 10%).

Geographically, Europe remained the major market of the Group, accounting for 71.8% of the total turnover. Orders from the German market decreased with proportion to the total turnover decreased from 43.5% for the corresponding period last year to 28.9%. In addition, the Asian and Australian markets were stable, accounting for 13.8% and 12.8% of the total turnover respectively. Turnover from the US and other markets accounted for approximately 1.6%, which was a smaller proportion of the total turnover.

Gross Profit and Profit Margin Analysis

For the six months ended 30 June 2005, the Group's overall gross profit margin was 14.1%, which was basically the same as the corresponding period last year. The gross profit margin of power tools and air tools were approximately 12.6% and 24.0%, which was also largely the same as the corresponding period last year. The stable gross profit margin was mainly attributable to the Group's success in offsetting pressure from increasing production cost by reducing self-manufacturing proportion and increasing outsourcing during the period under review and the effectiveness of its plants' cost control measures.

Cashflow Analysis

For the six months ended 30 June 2005, the Group's net operating cash outflow was approximately HK$47,200,000, representing an increase from HK$10,497,000 of net operating cash outflow recorded last year.

MANAGEMENT DISCUSSION AND ANALYSIS – *continued*

Financial Review – *continued*

Debt Analysis

As at 30 June 2005, the Group's total borrowings amounted to HK$97,836,000 which included the Group's bills receivables with full recourse from bank by HK$10,900,000 and accounts receivables factoring (the trade receivables from an associate, SBW, is factored to bank and secured by factoring of the trade receivables of an associate of which goods sold to ultimate customers) to the bank by HK$16,625,000, totaling HK$27,525,000 not been derecognised due to a adoption of a new accounting treatment under HKAS39, short-term loans HK$53,311,000 due from 1 July 2005 to 30 June 2006, and long-term loans HK$17,000,000 due from 1 July 2006 to 2007.

The borrowings were mainly utilised for the purchase of new machines and laboratory apparatus for the Group's plants and as general working capital. The equity by HK$215,013,000 was after reduced by the reverse of valuation reserve by approximately HK$16,000,000 because of change in the accounting standards under HKAS17. The cash in hand plus pledged bank deposits amounted to HK$52,461,000. As a result, as at 30 June 2005, the Group's net debt to equity (bank loans – cash/equity) was 21.1%, and the current ratio was 1.31 times.

Accounts Receivable Analysis

For the six months ended 30 June 2005, the accounts receivable of the Group (including the accounts receivable from SBW) amounted to HK$128,554,000 compared to HK$81,523,000 at the end of 2004. The accounts receivable turnover days were approximately 121 days (the corresponding period of 2004: 118 days), compared with 75 days at the end of last year. The increase in accounts receivable turnover days was mainly attributable to the change in the accounting standards, as mentioned in above section 'Debt Analysis'.

Accounts Payable Analysis

For the six months ended 30 June 2005, the accounts payable of the Group amounted to HK$101,793,000, compared to HK$104,119,000 at the end of 2004.

Inventories Analysis

For the six months ended 30 June 2005, the inventory turnover days were approximately 53 days (the corresponding period of 2004: 41 days), as compared with 51 days at the end of last year. The increase in inventory turnover days was attributable to the increase in the inventory of raw materials and finished goods.

MANAGEMENT DISCUSSION AND ANALYSIS – *continued*

Financial Review – *continued*

Cash in Hand

For the six months ended 30 June 2005, the cash in hand of the Group amounted to HK$48,562,000 (the end of 2004: HK$60,823,000).

Pledge of Assets

As at the date of this announcement, the pledged bank deposits amounted to HK$3,899,000.

Exposure to Foreign Exchange Risks

The Group's revenue and expenses are mostly denominated in US dollars and some are denominated in Euro and Renminbi. During the period under review, with the revaluation of Renminbi under the new exchange rate system, the previous risk exposure of the bank was transferred to enterprises. While the proportion of labour cost to the total cost will not increase significantly due to the change in the exchange rate of Renminbi, the Group has adopted proactive measures to enhance communication with overseas customers and adjusted its quotations according to the new exchange rate.

Human Resources

The Group is committed to streamlining its structure and tightening cost control. For the six months ended 30 June 2005, the Group employed a total of 1,172 staff. Chen Jin Rong, aged 68, retired from Joint Chief Financial Officer. Under the Board's invitation, Mr. Chen is redesignated to Financial Consultant of the Group with effect from 1 September of this year. We would like to express our appreciation for his service and contribution to the Group in the past. The Group has employed a US person with extensive experience in sales and marketing as our chief marketing officer in North America since August this year. We believe his engagement will assist our exploitation of North America market.

MANAGEMENT DISCUSSION AND ANALYSIS – *continued*

Prospects

The internal consolidation initiatives of Wang Sing International during 2004 have proved to be successful and effective. In 2005, the Group aims at carrying out external market adjustments, including improving product quality, diversifying market development and strengthening research and development capability. The Group expects that the overall business performance will remain stable in the second half of 2005. Meanwhile, the Group will actively consolidate its business development, expedite the development of new products, work towards achieving groundbreaking development in its exploration of the North American market and better position itself for the opportunities and challenges ahead.

With market integration underway, customers have relatively higher requirements on products. Upgrading products to higher professional level is one of the Group's priorities. Apart from the research and development centers in Taiwan and Nanjing, the Group established another research and development center in Suzhou in the third quarter so as to enhance its research and development capability. It is expected that the center in Suzhou will have 10 research and development staff. In addition, the Group will have more cooperative projects with local universities. The Group endeavours to further strengthen its research and development capability by jointly developing and commercialising new products with these universities.

While strengthening product development, the Group is proactively developing overseas market, in particular the North American market. The Group will continue to explore large chain stores and renowned brand factory in order to widen its client base. During the second half of 2005, apart from steadily developing the European (in particular the German) market and the Australian market, the Group will step up efforts in exploring the US market, so as to diversify its market, increase the number of orders and enhance the Group's bargaining power.

During the second half of 2005, the Group will continue to explore opportunities for cooperation with international brands or chain stores with the view to further expanding the room for business growth. The Group will, in particular expedite the development of products for customers which have signed cooperative agreements with the Group, so as to speed up the launch of new products into the market and enhance the Group's profitability. During the first half of 2005, the Group has launched 15 power tool products and 1 air tool product. Currently, the Group is developing 12 power tool products and 8 air tool products, which is in line with the Group's earlier plan of launching 30 power tool products and 10 air tool products throughout the year.

MANAGEMENT DISCUSSION AND ANALYSIS – *continued*

Prospects – *continued*

Taking into account the continuous surge of the prices of raw materials, the Group will maintain a balance between self-manufacturing activities and outsourcing in a prudent manner, proactively enhance its product mix quality, develop medium to high end power tool and air tool products. The Group will also utilise its maturing production facilities to increase the proportion of self-manufactured medium to high end products while outsourcing the production of products with lower gross profit, so as to fully capitalise on the Group's edge in producing high quality products and increase its economies of scale.

Looking ahead, in view of the robust market demand for power tools, the Group is confident about the room for growth of its power tool business. The Group will also strengthen its sales efforts in air tools, develop markets and secure new clients in an active and yet prudent manner. The Group will continue to identify suitable merger and acquisition opportunities, further speed up its business development and consolidate its market position. By improving product quality, introducing stringent cost control, strengthening its capabilities and enhancing the transparency of its operation, Wang Sing International is committed to becoming a pioneer in the power tool and air tool market and is well-poised to become one of the leading manufacturers in the PRC.

The Board of Directors (the "Board") 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 (the "Group") for the six months ended 30 June 2005 which has not been audited but has been reviewed by the Audit Committee and the Group's auditors, Messrs Deloitte Touche Thomatsu together with the comparative figures in 2004.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2005

	NOTES	Six months ended 30 June	
		2005	2004
		HK$'000	HK$'000
		(unaudited)	(unaudited)
			(restated)
Turnover	4	**153,727**	157,113
Cost of sales		**(132,027)**	(134,484)
Gross profit		**21,700**	22,629
Other operating income		**1,720**	2,855
Distribution costs		**(6,898)**	(7,727)
Administrative expenses		**(11,126)**	(10,284)
Finance costs	5	**(1,146)**	(806)
Share of result of an associate		**1,713**	1,380
Profit before taxation	6	**5,963**	8,047
Taxation	7	**(398)**	(301)
Profit for the period		**5,565**	7,746
Attributable to:			
Equity holders of the parent		**5,565**	7,998
Minority interest		**–**	(252)
		5,565	7,746
Interim dividend	8	**2,997**	4,743
Earnings per share			
– Basic (HK cents)	9	**1.5**	2.1

CONDENSED CONSOLIDATED BALANCE SHEET
At 30 June 2005

	NOTES	As at 30 June 2005 HK$'000 (unaudited)	As at 31 December 2004 HK$'000 (audited) (restated)
Non-current assets			
Property, plant and equipment	10	**124,455**	124,043
Land use right		**212**	222
Deposits paid for acquisition of property, plant and equipment		**12,337**	–
Intangible assets		**14,388**	8,698
Interest in an associate	11	**21,506**	19,747
		172,898	152,710
Current assets			
Inventories		**38,327**	38,054
Trade and other receivables	12	**95,810**	50,452
Deposits and prepayments		**20,518**	18,360
Trade receivables from an associate		**32,744**	31,071
Loan to an associate		**19,010**	18,808
Pledged bank deposits	13	**3,899**	16,318
Bank balances and cash		**48,562**	60,823
		258,870	233,886
Current liabilities			
Trade and other payables	14	**101,793**	104,119
Deposits and accrued expenses		**13,158**	5,793
Tax payable		**1,653**	1,653
Unsecured bank borrowings – due within one year	15	**80,836**	53,381
		197,440	164,946
Net current assets		**61,430**	68,940
Total assets less current liabilities		**234,328**	221,650
Capital and reserves			
Share capital	16	**37,464**	37,464
Share premium and reserves		**177,552**	171,730
Equity attributable to equity holders of the parent		**215,016**	209,194
Minority interest		**(3)**	(3)
Total equity		**215,013**	209,191
Non-current liabilities			
Other payable	14	**–**	10,542
Unsecured bank borrowings – due after one year	15	**17,000**	–
Deferred taxation	17	**2,315**	1,917
		19,315	12,459
		234,328	221,650

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Revaluation reserve HK$'000	Translation reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Minority interest HK$'000	Total HK$'000
At 1 January 2004	34,450	44,066	800	16,442	791	710	68,494	353	166,106
Effect of changes in accounting policies	–	–	–	(16,442)	(166)	–	–	–	(16,608)
As restated	34,450	44,066	800	–	625	710	68,494	353	149,498
Exchange differences arising on translation of foreign operations	–	–	–	–	(219)	–	–	–	(219)
Expenses recognised directly in equity	–	–	–	–	(219)	–	–	–	(219)
Profit for the period	–	–	–	–	–	–	7,998	(252)	7,746
Total recognised income and expense for the period	–	–	–	–	(219)	–	7,998	(252)	7,527
Issued of shares at premium	5,800	73,660	–	–	–	–	–	–	79,460
Share issue expenses	–	(2,160)	–	–	–	–	–	–	(2,160)
Repurchase of shares	(727)	(7,427)	–	–	–	–	–	–	(8,154)
Dividend paid	–	–	–	–	–	–	(1,976)	–	(1,976)
At 30 June 2004	39,523	108,139	800	–	406	710	74,516	101	224,195
Exchange differences arising on translation of foreign operations	–	–	–	–	598	–	–	–	598
Income recognised directly in equity	–	–	–	–	598	–	–	–	598
Profit for the period	–	–	–	–	–	–	10,610	(104)	10,506
Total recognised income and expense for the period	–	–	–	–	598	–	10,610	(104)	11,104
Repurchase of shares	(2,059)	(19,695)	–	–	–	–	–	–	(21,754)
Dividend paid	–	–	–	–	–	–	(4,354)	–	(4,354)
At 31 December 2004	37,464	88,444	800	–	1,004	710	80,772	(3)	209,191
Exchange differences arising on translation of foreign operations	–	–	–	–	257	–	–	–	257
Income recognised directly in equity	–	–	–	–	257	–	–	–	257
Profit for the period	–	–	–	–	–	–	5,565	–	5,565
Total recognised income and expense for the period	–	–	–	–	257	–	5,565	–	5,822
At 30 June 2005	37,464	88,444	800	–	1,261	710	86,337	(3)	215,013

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2005

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(47,200)**	(10,497)
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(3,297)**	(2,638)
Purchase of intangible assets	**(6,511)**	–
Deposits paid for acquisition of property, plant and equipment	**(12,337)**	–
	(22,145)	(2,638)
NET CASH FROM FINANCING ACTIVITIES		
New secured and unsecured bank borrowings raised	**47,190**	–
Repayment of unsecured bank borrowings	**(2,735)**	(47,539)
Decrease (increase) in pledged bank deposits	**12,419**	(3,506)
Proceeds from issue of shares	**–**	77,300
Payments on repurchase of shares	**–**	(8,154)
	56,874	18,101
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(12,471)**	4,966
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**60,823**	35,338
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**210**	–
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**48,562**	40,304
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**48,562**	40,304

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2005

1. BASIS OF PREPARATION

The condensed 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 with Hong Kong Accounting Standard 34 ("HKAS 34") Interim Financial Reporting.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of land use right, minority interests and share of tax of an associate have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods.

Business Combinations

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

Goodwill

In previous periods, goodwill arising on acquisition of an associate after 1 January 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. The Group has discontinued amortising such goodwill from 1 January 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

In the current period, the Group has also applied HKAS 21. The Effects of Changes in Foreign Exchange Rates which requires goodwill to be treated as assets and liabilities of the foreign operation and translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at historical rate at each balance sheet date. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions prior to 1 January 2005 is treated as a non-monetary foreign currency item of the Group. Therefore, no prior period adjustment has been made.

Financial Instruments

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

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method.

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively for transfers of financial assets on or after 1 January 2005. As a result, the Group's bill receivables with full recourse which were derecognised prior to 1 January 2005 have not been restated. As at 30 June 2005, the Group's bills receivables with full recourse of HK$27,525,000 included in trade receivables have not been derecognised. Instead, the related borrowings of HK$27,525,000 including in current liabilities have been recognised on the balance sheet. This change has had no material effect on the results for the current period.

Owner-occupied Leasehold Interest In Land And Buildings

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

3. SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES

The effect of the changes in the accounting policies described in note 2 on the results for the current and prior period are as follows:

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Decrease in amortisation of goodwill on acquisition of an associate	**342**	–
Decrease in depreciation relating to owner-occupied leasehold interest in land	**255**	255
Increase in profit for the period attributable to the equity holders of the parent	**597**	255

Analysis of increase in net profit for the period by line items presented according to their function:

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Decrease in administrative expenses	**597**	255

The cumulative effects of the application of the new HKFRSs on the balance sheet as at 31 December 2004 and 1 January 2005 are summarized below:

	As at 31 December 2004 (originally stated) HK$'000	Adjustments HK$'000	As at 31 December 2004 (restated) HK$'000
Property, plant and equipment	148,166	(24,123)	124,043
Land use right	–	222	222
Deferred tax liabilities	(9,636)	7,719	(1,917)
Other assets/liabilities	86,843	–	86,843
Net assets	225,373	(16,182)	209,191
Share capital	37,464	–	37,464
Translation reserve	1,170	(166)	1,004
Asset revaluation reserve	16,016	(16,016)	–
Other reserves	170,726	–	170,726
Minority interest	–	(3)	(3)
Total equity	225,376	(16,185)	209,191
Minority interest	(3)	3	–
	225,373	(16,182)	209,191

4. 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:

	Six months ended 30 June	
	2005 HK$'000 (unaudited)	2004 HK$'000 (unaudited) (restated)
Revenue		
Europe		
Germany	**44,358**	68,354
Other European countries	**65,933**	55,365
Total	**110,291**	123,719
Asia	**21,231**	11,650
Australia	**19,695**	21,249
North America and other continents	**2,510**	495
Total	**153,727**	157,113
Segment results		
Europe		
Germany	**4,244**	7,220
Other European countries	**11,670**	11,917
Total	**15,914**	19,137
Asia	**3,523**	1,132
Australia	**1,919**	2,340
North America and other continents	**343**	20
Total	**21,699**	22,629
Unallocated corporate income and expenses	**(16,303)**	(15,156)
Finance costs	**(1,146)**	(806)
Share of result of an associate	**2,226**	1,380
Profit before taxation	**6,476**	8,047

5. FINANCE COSTS

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

6. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
	(unaudited)	(unaudited)
		(restated)
Profit before taxation has been arrived at after charging the following items:		
Depreciation of property, plant and equipment	**2,746**	2,594
Amortisation of intangible assets included in administrative expenses	**821**	311
Amortisation of goodwill on acquisition of an associate included in share of result of an associate	**–**	342
Amortisation of land use right included in administrative expenses	**10**	10
Share of tax of an associate included in share of result of an associate	**1,517**	1,266

7. TAXATION

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
	(unaudited)	(unaudited)
		(restated)
Deferred taxation *(Note 17)*	**398**	301

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 2002 and 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 period.

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.

8. INTERIM DIVIDEND

The directors have determined that an interim dividend of HK0.8 cents per share (2004: HK1.2 cents per share) amounting to HK$2,997,000 (2004: HK$4,743,000) be payable on 11 November 2005 to the shareholders of the Company whose names appear in the Register of Members on 19 October 2005.

The Register of Members of the Company will be closed from 20 October 2005 to 27 October 2005, 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, 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration by no later than 4:00 p.m. on 19 October 2005.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the unaudited consolidated profit attributable to equity holders of the parent of HK$5,565,000 for the six months ended 30 June 2005 (six months ended 30 June 2004: HK$7,998,000) and on 374,640,000 shares (six months ended 30 June 2004: weighted average number of 388,237,000 shares) in issue.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at a cost of HK$3,297,000 (six months ended 30 June 2004: HK$2,638,000) in order to expand its manufacturing capability.

11. INTEREST IN AN ASSOCIATE

	As at 30 June 2005 HK$'000 (unaudited)	As at 31 December 2004 HK$'000 (audited) (restated)
Share of net assets	**9,181**	7,422
Goodwill on acquisition of an associate	**12,325**	13,695
Less: Accumulated amortisation	**–**	(1,370)
	12,325	12,325
	21,506	19,747

11. INTEREST IN AN ASSOCIATE – *continued*

At 30 June 2005, 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")	Incorporation	Germany	Ordinary	50%	Distribution of power tools

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 2005, is as follows:

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Turnover	**84,032**	104,866
Profit before taxation	**5,771**	7,045
Profit before taxation attributable to the Group	**2,886**	2,988

	As at 30 June 2005 HK$'000	As at 31 December 2004 HK$'000
Current assets	**99,055**	131,610
Current liabilities	**(80,321)**	(114,194)
Net assets	**18,734**	17,416
Net assets attributable to the Group	**9,367**	8,708

12. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing 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.

The following is an aged analysis of trade receivables at the reporting date:

	As at 30 June 2005 HK$'000 (unaudited)	As at 31 December 2004 HK$'000 (audited)
Within 30 days	**32,624**	14,421
Between 31 to 60 days	**25,669**	4,223
Between 61 to 90 days	**2,672**	904
Between 91 to 120 days	**1,899**	496
Over 120 days	**8,252**	10,236
Trade receivables	**71,116**	30,280
Other receivables	**24,694**	20,172
	95,810	50,452

13. PLEDGE BANK DEPOSITS

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

14. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade and other payables at the balance sheet date:

	As at 30 June 2005 HK$'000 (unaudited)	As at 31 December 2004 HK$'000 (audited)
Within 30 days	**47,411**	57,174
Between 31 to 60 days	**8,914**	9,243
Between 61 to 90 days	**11,303**	13,464
Between 91 to 120 days	**7,257**	6,589
Over 120 days	**7,657**	6,570
Trade payables	**82,542**	93,040
Bills payables	**–**	6,138
Other payables	**19,251**	4,941
	101,793	104,119

Include in other payable is an amount of Euro1,000,000 (equivalent to HK$: 9,419,000 (31 December 2004: HK$10,542,000)) which represents the remaining consideration ("Consideration") due to the other shareholders of SBW for the acquisition of a 50% interest in SBW as agreed in the joint venture agreement ("Agreement") dated 23 August 2002. Pursuant to the terms set out in the Agreement, the repayment of the Consideration to the other shareholders of SBW would be settled by the dividends of SBW entitled by the Group until such time when SBW declares dividends.

The Agreement will be expired on 31 December 2005. As at the date of this report, the other shareholders of SBW and the Group have not reached any agreement on how the Consideration should be settled after the Agreement expired. Accordingly, the Consideration is reclassified to current liabilities.

15. UNSECURED BANK BORROWINGS

During the period, the Group obtained new bank loans amounting to HK$30,000,000. The loans bear interest at market rates and is repayable in instalments over a period of 30 months. The amount was partly used to finance the acquisition of property, plant and equipment.

16. SHARE CAPITAL

Issued and fully paid:

	Number of shares '000 (unaudited)	Share capital HK$'000 (unaudited)
At 1 January 2005 and 30 June 2005	374,640	37,464

There was no movement in the share capital during the period.

17. DEFERRED TAXATION

The following is the major deferred tax liabilities recognized and movements thereon during the current and prior reporting periods:

	Undistributed earnings of an associate HK$'000	Revaluation of properties HK$'000	Total HK$'000
The Group			
At 1 January 2004 – as originally stated	806	7,803	8,609
Effect of changes in accounting policies	–	(7,803)	(7,803)
As restated	806	–	806
Charge to income statement for the period	301	–	301
At 30 June 2004	1,107	–	1,107
Charge to income statement for the period	810	–	810
At 31 December 2004	1,917	–	1,917
Charge to income statement for the period	398	–	398
At 30 June 2005	**2,315**	**–**	**2,315**

At 30 June 2005, the Group has estimated unused tax losses of HK$54,032,000 (2004: HK$38,690,000) available for offset against future profits. No deferred tax asset has been recognized due to the unpredictability of future profit streams. The unrecognised tax losses will expire in year 2008.

18. CAPITAL COMMITMENTS

	As at 30 June 2005 HK$'000	As at 31 December 2004 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the financial statements	**11,408**	10,345

19. RELATED PARTY TRANSACTIONS

During the period, the Group sold goods to an associate amounting to HK$44,289,000 (six months ended 30 June 2004: HK$59,682,000). The transactions were carried out on terms similar to those applicable to transactions with unrelated parties.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES

1. ADVANCES TO ENTITY

At 30 June 2005, the following balances with the associate, which, in aggregate, exceed 8% of the total assets of the Group, 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 2005 HK$'000
Trade receivables from an associate	**32,744**
Loan to an associate	**19,010**
	51,754
Percentage to the total assets value	**12%**

Notes:

a. 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.

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

	As at 30 June 2005 HK$'000
Within 30 days	**32,744**

Save as disclosed above, at 30 June 2005, 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.

2. PURCHASE, SALE OR REDEMPTION OF LISTED

During the six months ended 30 June 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

3. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 June 2005, the interests and short positions of the directors, chief executives and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code of Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Long positions

Ordinary shares of HK$0.10 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of Company
Chen Wai Yuk	Held by controlled corporation	208,356,000	55.6%
Wang Shu	Held by spouse	208,356,000	55.6%

a. These shares were held by Twinning Wealth Limited, the entire issued capital of which is beneficially owned by Chen Wai Yuk.

b. Wang Shu is deemed to be interested in 208,356,000 shares of the Company, being the interests held beneficially by his spouse, Chen Wai Yuk. Chen Wai Yuk beneficially owned one share of US$1 in Twinning Wealth Limited, an associated corporation (within the meaning of the Section 352 of the SFO) of the Company, representing the entire issued shares in Twinning Wealth Limited.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

4. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 11 April 2002 for the primary purpose of providing incentives to eligible participants, who contribute to the success of the Group's operations, and will expire on 10 April 2012. Eligible participants include directors, eligible employees and other eligible parties.

From the date of the adoption of the Scheme to 30 June 2005, no options were granted. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

4. SHARE OPTION SCHEME – *continued*

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors. Options granted to substantial shareholders or independent non-executive directors or any of their respective associates in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Options granted may be accepted within 21 days from the date of grant, upon payment of a nominal consideration of HK$1. Options may be exercised at any time from the date of grant of the share option to the 10th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and may not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant and (iii) the nominal value of the share.

5. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

Other than disclosed above in the section "Directors' And Chief Executives' Interests And Short Positions In Shares, Underlying Shares And Debenture" at 30 June 2005, the shareholder (other than directors or chief executives of the Company) who had interests of 5% or more or short positions in the shares, underlying shares and debentures 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 shares beneficially held	Percentage of holding
Arisaig Greater China Fund Limited	Beneficial	39,212,000	10.5%

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 2005, 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, underlying shares and debentures 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.

6. CORPORATE GOVERNANCE

The Group is committed to achieving high standards of corporate governance which it believes is crucial to the development of the Group and to safeguard the interests of the Company's shareholders.

To ensure objectivity and impartiality in the management of the Group, the Board comprises three executive directors, one non-executive director and three independent non-executive directors. The Board is responsible for the overall management of the Group's business but the day-to-day management is delegated to the three executive directors. Their roles are clearly segregated.

The Company has established an audit committee ("Audit Committee") under the Board. The Board considers the recommendations on matters relating to the nomination and appointment of directors to be the Board's collective effort and the remuneration policy has already been determined by the Board and thus does not intend to set up a Nomination Committee or a Remuneration Committee.

The Company has also adopted the terms of the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules (the "Model Code") and the Code of Best Practice as set out in Appendix 14 of the Listing Rules (the "Code") during the year. All directors have confirmed that they have complied with the required standard set out in the Code.

7. AUDIT COMMITTEE

The Audit Committee was established on 11 April 2002 with written terms of reference. The members of the Audit Committee comprise non-executive director, Mr. Ho Hao Veng and three independent non-executive directors, Mr. Wei Tong Li, Mr. Hui Chuen Fan, Matthew and Mr. Ang Siu Lun, Lawrence. They are specialists and experts in different fields such as investment, securities, financial and electronics. The Audit Committee assists the Board in providing an independent and objective review of the effectiveness of the financial reporting process, internal control and risk management system of the Group. It primarily aims to increase the Board's accountability, transparency and objectivity.

The Audit Committee has reviewed with the management and the Company's auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the financial statements for the period.

By order of the Board
CHEN Wai Yuk
Chairman

Hong Kong, 15 September 2005

CORPORATE INFORMATION

Board of Directors

Executive Directors

Ms. CHEN Wai Yuk *(Chairman)*
Mr. WANG Shu *(Managing Director)*
Miss CHEN Wai Wah

Non-executive Director

Mr. HO Hao Veng

Independent Non-executive Directors

Mr. WEI Tong Li
Mr. HUI Chuen Fan, Matthew
Mr. ANG Siu Lun, Lawrence

Authorised Representatives

Ms. CHEN Wai Yuk
Miss CHEN Wai Wah

Company Secretary

Ms. TSE Wun Ying, Aster *MA, HKICPA, FCCA*

Audit Committee

Mr. HO Hao Veng
Mr. WEI Tong Li
Mr. HUI Chuen Fan, Matthew
Mr. ANG Siu Lun, Lawrence

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Principal Bankers

Standard Chartered Bank
(Hong Kong) Limited
Heng Sang Bank Limited
Citic Ka Wah Bank Limited
KBC Bank N.V.
DBS Bank (Hong Kong) Limited
Dah Sing Bank Limited

Registered Office

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
Cayman Islands

Head Office and Principal Place of Business

22nd Floor
Shum Tower
268 Des Voeux Road Central
Hong Kong

Website

http://www.wangsing.com.hk

Stock Code

2389

Hong Kong Branch Share Registrar and Transfer Office

Hong Kong Registrars Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong