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)

Stock Code : 2389

Interim Report 2006

CONTENTS

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

Influenced by the international crude oil price, the prices of international raw materials have been rising for three consecutive years. In the first half of 2006, raw materials witnessed the biggest price increase in recent three years, with the price of copper surged by more than 1.5 times over the end of last year and the prices of aluminium and plastics staying at high levels in the first half of the year. During the period under review, the appreciation of RMB also had direct impact on the profit of export goods. This, coupled with the continuous increase in operating cost, created a more challenging operating environment for the manufacturers of power tools and air tools.

From July 1, 2006, *"the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Regulations"* (RoHS Regulations) introduced by European Union came into effect, and prohibits the use of 6 hazardous substances such as lead, mercury and cadmium in electrical and electronic equipment. During the period under review, purchasers and numerous manufacturers of power tools adopted a cautious attitude towards the manufacture and distribution of the product due to the promulgation of relevant regulations.

Therefore, the demand for the export of domestic power tools during the period under review was relatively lower when compared with previous years. Since exports to markets in the European Union are subject to stringent regulations, including WEEE, RoHS, and PAHS, it is expected that with the relevant regulations coming into force, some smaller manufacturers will be most hard hit and as a result, industry integration will be sped up but it will be beneficial for the long-term development of large enterprises which enjoy competitive advantages in both technology and certification.

In the past few years, domestic manufacturers of power tools took initiatives to explore the international market and thus China has become a large power tool manufacturer and exporter in the world. Currently, about 85% of all the domestically produced power tools are for export. China's export of power tools accounts for the largest portion of the power tools sold in the world market. America and Germany are world's largest markets for the import of power tools, and the market share of domestic power tools in these two countries reaches more than 55% and 30% respectively. Therefore, the production and export of domestic power tools will continue to play an important role in the industry in future and domestic power tool industry will still have potential for sustainable development.

In view of the Europeans' and Americans' willingness to undertake DIY tasks, the European and North American markets will remain the major destinations for the PRC exported power tools for a long time to come. In addition, users of professional tools made up an increasing portion of the clientele of the overall power tool market in recent years. Since professional power tools are categorized as higher end products with higher added value, it is expected that they will account for as much as 70% of the tool market in 2007.

Air tools also witnessed continuous development in recent years. The United States, Europe and Japan remain the world's major air tool markets. We continue to see exponential growth in the air tool market in recent years. The demand for air staplers in the US market shows steady growth every year and the average growth rate is approximately 9.46%. With the market growing steadily, it is expected that future prospect of the air tool business will remain promising.

MANAGEMENT DISCUSSION AND ANALYSIS *– continued*

Dividends

The Board of Directors resolved not to declare the payment of interim dividend for the six months ended June 30, 2006.

Business Review

The Group is principally engaged in the production and sales of medium and high end AC and DC power tools and air tools. During the period under review, domestic prices of materials and raw materials continued to rise, leading to an increase in the Group's overall cost. The RoHS Regulations promulgated by the European Union came into effect on July 1, 2006, which have short-term effects on the clients of power tools, who took a wait-and-see attitude in the first half of the year and delayed their purchase orders. Therefore, the Group also adopted a cautious attitude towards production and distribution, and sought to improve and continuously perfect its products in the period under review to meet the requirements of RoHS Regulations. In order to mitigate the short-term market risks, SBW, the Group's German associated company adjusted its business strategy, which led to a reduction in orders. On the other hand, the Group was still conducting product R&D for new clients, that's why although the orders we secured from most clients maintained stable growth, the general performance of the Group was less remarkable during the period under review.

For the six months ended June 30, 2006, turnover of the Group and net loss attributable to shareholders were HK$109,243,000 (the first half of 2005: HK$153,727,000) and HK$15,069,000 (the first half of 2005: profit attributed to shareholders HK$5,565,000) respectively. During the period under review, power tools remained the main source of revenue, accounting for 77.9%, while air tools and other products accounted for 22.1% (in the first half of 2005, power tools accounted for 81.1%, while air tools and other products accounted for 18.9%).

In the first half of 2006, the Group, faced with a difficult operating environment, continued to adopt a prudent business development strategy to reduce the impact of the external environment on the Group. The Group continued to adjust its product manufacturing strategy and focused on the production of medium and high-end products that are capable of withstanding risks and outsourced the production of low-end products to reduce production cost. In the first half of 2006, Therefore the Group's proportion of self-production was reduced to 24%, while the proportion of outsourced production was increased to 76% (the first half of 2005, the proportion was 32%: 68%).

MANAGEMENT DISCUSSION AND ANALYSIS – *continued*

Business Review – *continued*

In addition, the Group continued to strengthen its cooperation with brandname clients and directly cooperated with world renowned tool brands and chain stores in product development during the period under review. After the successful conclusion of a cooperative agreement with an American well-known tool professional brand in 2005, the series of professional power tools and air tools developed by the Group have entered the stage of batch production during the period under review and is expected to bring profit contribution to the Group in the second half of 2006. Besides, the Group has successfully cooperated with numerous new European clients such as Bosch and Skil and supplied products to them during the period under review. Currently, the number of the Group's clients is on the rise and its major clients include world renowned chain stores and major power tool and air tool distributors in the US and Europe, such as Casferama, Brico-depot, Praktiker, Leroy Merlin, Campbell Hausfeld and TIP.

In order to enhance corporate competitiveness, the Group has always put much emphasis on product R&D and technological improvement. As regards the R&D of new products, the R&D center in Taiwan, which was established last year, closely cooperated with the Group's domestic R&D center during the period under review, and the projects were in full swing and proceeded smoothly as scheduled. In order to further expand the North American market and proactively cater to clients' demand for R&D of new products, the Group continued to step up the R&D of products targeted at the North American market, strengthen its research and projections of the North American market, place more emphasis on product innovation and launch new products in the North American market in the first half year of 2006. During the period under review, the Group successfully introduced 5 brand new professional power tool products and 2 brand new air tools products. Meanwhile, in order to improve product quality and ensure that the Group's products meet the requirements of various new regulations of the European Union, the Group also increased investment in its professional laboratories. So far, the professional R&D capabilities has been strengthened further, the overall R&D process has been accelerated, product quality has been improved and more new products are expected to be launched into the market.

MANAGEMENT DISCUSSION AND ANALYSIS – *continued*

Financial Review

Turnover and Profit Analysis

For the six months ended 30 June 2006, the Group recorded a turnover of approximately HK$109,243,000, a decrease of 28.9% as compared to corresponding period last year. Loss attributable to shareholders was approximately HK$15,069,000 for the six months ended 30 June 2006 while profit attributable to shareholders was approximately HK$5,565,000 for corresponding period last year.

The decrease in turnover and profit was mainly due to decrease in sales of German Market, SBW, which amounted to HK$48,133,000. The decrease in profit was mainly due to greatly increase in raw material prices and decrease in turnover.

Turnover Breakdown by Products and Geographical Locations

In term of products, power tools were still the major income source for the Group. The Group's air tools business also ran smoothly during the period under review. There is an additional product, household wares which contributes HK$3,218,000 profits to the Group. During the period under review, the sales of power tools, air tools and hand tools, household wares represented 77.9%, 8.3% and 13.8% of the Group's turnover (corresponding period of 2005: power tools: 81.5%, air tools and hand tools: 15.9%, household wares: 2.6%).

Geographically, Europe was still the major market of the Group, accounting for 83.5% of the total turnover. The European markets grew steadily except the German market. It was due to the decrease of sales in an associate, SBW. In addition, the Australian and the US markets were stable, accounting for 16.5% of the total turnover.

Gross Profit and Profit Margin Analysis

For the six months ended 30 June 2006, the Group's gross profit decreased from approximately HK$21,700,000 to approximately HK$8,270,000. The decrease in gross profit was mainly due to the increase in materials price. The price of major raw materials are copper, aluminium, plastics and lead, which have been increased by 85%, 24%, 9% and 59% on average respectively during the first half of 2006.

MANAGEMENT DISCUSSION AND ANALYSIS – *continued*

Financial Review – *continued*

Gross Profit and Profit Margin Analysis – continued

During the period under review, the Group's gross profit margin decreased to 7.6% as compared to the corresponding period last year, 14.1%. The profit margin of power tools was approximately 4% while it was approximately 19.8% for air tools and other tools products. (corresponding period of 2005: power tools: 12.6% and air tools and other tools: 24%). The decrease in gross profit margin was mainly due to the increase in raw materials cost which represent the major portion of production cost.

Structure of Costs

For the six months ended 30 June 2006, raw materials, salary, power and manufacturing overheads amounted to 96.57% : 1.13% : 0.07% : 2.23% of the Group's overall production cost. (corresponding period of 2005: raw materials, salary, power and manufacturing overheads: 96.39% : 1.58% : 0.07% : 1.96%). Raw materials cost represent the major portion of production costs.

Cashflow Analysis

For the six months ended 30 June 2006, the Group's net operating cash outflow was approximately HK$41,031,000 which was mainly due to the repayment of bank borrowings amounted to HK$36,067,000 and account payables amounted to HK$25,119,000.

Cash on Hand

As at 30 June 2006, the cash on hand for the Group was HK$19,666,000.

Debts Analysis and Gearing ratio

As at 30 June 2006, the Group's total borrowings amounted to HK$101,934,000 and the Group's net debt to equity (bank loans – cash/equity) was 46%.

Capital Expenditure

The Group's capital expenditure for the six months ended 2006 was approximately HK$5.9 million, of which new equipments complied with RoHS requirements amounted to HK$1.7 million development of mould expenses amounted to HK$1.6 million and R & D expenses and licenses fee amounted to HK$2.6 million.

MANAGEMENT DISCUSSION AND ANALYSIS – *continued*

Financial Review – *continued*

Trade Receivables Analysis

For the six months ended 2006, the trade receivables (including SBW, an associate of the Group) of the Group were HK$49,247,000 (2005: HK$73,789,000). The decrease in trade receivables is due to the increase in collection of trade debts from SBW amounted to HK$4,870,000. The Group's debtors' turnover days was 101 days (2005: 94 days).

Account Payables Analysis

For the six months ended 2006, the account payables of the Group were HK$60,875,000 (2005: HK$85,994,000). The Group's creditors' turnover days was 147 days (2005: 133 days).

Inventories Analysis

For the six months ended 30 June 2006, the inventories of the Group were HK$32,742,000 (2005: HK$37,253,000) while the inventory turnover days were 64 days (2005: 58 days). The increase in the inventory days was mainly due to decrease in turnover and keeping adequate stock in order to reduce the unstable raw materials price.

Shareholding Structure

For the six months ended 30 June 2006, the shareholding of the major shareholder remains 55.61% (2005: 55.61%), while the second largest shareholder, Arisaig Greater China Fund held 10.47% (2005: 10.47%).

Pledge of Assets

For the six months ended 2006, the Group did not have any pledged assets (2005: pledged bank deposits amounted to HK$2,491,000).

Exposure to Foreign Exchange Risks

The Group's income and expenses are mainly denominated in US dollars and RMB and partly in Euro. During the period under review, the appreciation of RMB reflected in the increase in the operation cost and raw materials cost.

MANAGEMENT DISCUSSION AND ANALYSIS – *continued*

Financial Review – *continued*

Employee Benefits and Training

For the six months ended 30 June 2006, the Group had approximately 837 employees, of which 192 employees were management staff and 118 employees were engineers. The decrease in number of staffs is due to the increase in the number of automatic machineries which commenced operations in the first half of 2006. This will further enhance the operating efficiency of the Group and further reduced the production cost in the long run.

The Group has focused on the enhancement of the quality of staff through offering all kinds of staff training programs. The Group organized internal training courses once a week for staffs at all levels. Topics of the training courses included moral, ethic, languages, technical and management skill. The Group also organized hundreds of on-the-job training programs in its production plant at Golden Harbour.

To increase the incentive of its staff and management executives, the Group granted share option with a total 15,610,000 shares on 18 August 2006. Only 14.8% (equal to 2,310,000 shares) was granted to the 7 Directors of the Group, while 85.2% (equal to 13,300,000 shares) was granted to 48 staffs as a reward for their excellent performance and their contribution to the Group during the period. This will help to increase the incentive at work, which will enhance the Group's overall performance in the long run.

Prospect

In the second half of 2006, the external operating environment remained challenging. It is expected that prices of raw materials will stay at high levels. The Group has moderately increased the prices of new orders received after July this year, thereby transferring part of the increased cost to clients. Meanwhile, the Group also shortened the quotation period so as to minimize the impact brought about by the fluctuation in raw material prices. In addition, the Group was actively considering adopting hedging strategies to offset the impact of rising raw material prices on the Group.

MANAGEMENT DISCUSSION AND ANALYSIS – *continued*

Prospect – *continued*

The Group expects that the power tool and air tool market will continue to pose challenges in the second half of the year. Faced with the increase in raw material prices, stringent production rules and the appreciation of RMB, the Group expects the operating environment in the second half of the year to remain difficult. However, the Group will proactively launch a series of internal control measures, optimize its business strategies and enhance its R&D standards, so as to reduce the overall production cost, accelerate the launch of new products and secure more new customers.

With the RoHS regulations coming into force, the Group will ensure that its products meet relevant requirements through its professional laboratories so as to further develop its European clientele. In addition, in an attempt to secure more orders, the Group is endeavouring to strengthen its communication and cooperation with several world renowned brand enterprises and chain stores that the Group successfully concluded cooperative deals in the first half of the year. Meanwhile, the Group will also set up a company in Belgium of Europe to further explore the European markets. The Belgium company will be another important channel to expand into the European markets. With the launch of professional tools with higher technological content into the market in the second half of the year, the Group will have more new business opportunities. In future, the Group will further strengthen its cooperation with professional brands or chain stores in the joint development of new professional tools in order to expand customer base and increase its sources of revenue.

Looking forward, the Group will proactively improve the business performance of SBW, its joint venture company and distributor in Germany. The Group plans to propose for an active participation in the business and financial management of SBW, so as to strengthen the internal control and improve the internal management of the joint venture company. New business strategies will also be implemented to actively explore new customers, widen the sources of revenue and withstand the impacts brought about by intense market competition and the appreciation of foreign currencies.

As regards R&D, the Group plans to increase its investment in R&D in future. To capture the robust global demand for professional tools, the Group will promote the cooperation and coordinated development with domestic and overseas research institutes, step up the R&D of high-end products and new products targeted at the North American market and further strengthen its cooperation with domestic and overseas universities in the joint development of new products in the second half year of 2006,. In addition, the Group will continue to maintain close cooperation with TUV, a European famous certification company, so as to perfect its professional laboratories, improve product quality and continuously seek product upgrades.

In the future, the Group will gear up its effort in improving its management standard and cultivating its corporate culture. The Group will further implement stringent cost control measures, including strict control of human resources and improve production efficiency so as to reduce the negative impact brought about by external environment, improve the overall performance of the Group and actively work towards the Group's long-term development.

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 2006 which has not been audited but has been reviewed by the Audit Committee and the Group's auditors, Messrs Deloitte Touche Tomatsu together with the comparative figures in 2005.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

		Six months ended 30 June	
	NOTES	**2006** **HK$'000** **(unaudited)**	2005 HK$'000 (unaudited)
Turnover	3	**109,243**	153,727
Cost of sales		**(100,973)**	(132,027)
Gross profit		**8,270**	21,700
Other income		**3,318**	1,720
Distribution costs		**(6,744)**	(6,898)
Administrative expenses		**(14,018)**	(11,126)
Other expenses		**(3,115)**	–
Finance costs	4	**(3,306)**	(1,146)
Share of profit of an associate		**113**	1,713
(Loss) profit before tax		**(15,482)**	5,963
Income tax credit (expense)	5	**413**	(398)
(Loss) profit for the period	6	**(15,069)**	5,565
Interim dividend proposed	7	**–**	2,997
Dividend paid		**–**	–
(Loss) earnings per share	8		
– Basic (HK cents)		**(4.0)**	1.5

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2006

	NOTES	30 June 2006 HK$'000 (unaudited)	31 December 2005 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	9	**138,931**	139,854
Prepaid lease payments		**5,416**	678
Intangible assets		**18,188**	16,686
Interest in an associate	10	**12,143**	11,726
		174,678	168,944
Current assets			
Inventories		**32,742**	37,253
Trade and other receivables	11	**55,220**	83,686
Deposits and prepayments		**35,584**	29,884
Dividend receivables from an associate		**714**	668
Prepaid lease payments		**97**	21
Trade receivables from an associate		**17,172**	22,042
Loan to an associate		**14,913**	17,075
Pledged bank deposits		**–**	2,491
Bank balances and cash		**19,666**	61,140
		176,108	254,260
Current liabilities			
Trade and other payables	12	**60,875**	85,994
Deposits and accrued expenses		**6,617**	3,282
Tax liabilities		**993**	1,704
Bank borrowings	13	**101,934**	125,501
		170,419	216,481
Net current assets		**5,689**	37,779
Total assets less current liabilities		**180,367**	206,723
Capital and reserves			
Share capital	14	**37,464**	37,464
Share premium and reserves		**140,658**	154,812
		178,122	192,276
Non-current liabilities			
Bank borrowings	13	**–**	12,500
Deferred tax liabilities	15	**2,245**	1,947
		2,245	14,447
		180,367	206,723

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Attributable to equity holder of the Company								
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Translation reserve HK$'000	Other reserve HK$'000 (Note)	Retained profits HK$'000	Total HK$'000	Minority interest HK$'000	Total HK$'000
At 1 January 2005	37,464	88,444	800	1,004	710	80,772	209,194	(3)	209,191
Exchange differences arising on translation of foreign operations recognised directly in equity				257			257		257
Profit for the period	–	–	–	–	–	5,565	5,565	–	5,565
Total recognised income and expense for the period	–	–	–	257	–	5,565	5,822	–	5,822
At 30 June 2005	37,464	88,444	800	1,261	710	86,337	215,016	(3)	215,013
Exchange differences arising on translation of foreign operations recognised directly in equity				404			404		404
(Loss)/profit for the period	–	–	–	–	–	(15,103)	(15,103)	3	(15,100)
Total recognised income and expense for the period	–	–	–	404	–	(15,103)	(14,699)	3	(14,696)
Dividends paid	–	–	–	–	–	(8,041)	(8,041)	–	(8,041)
At 31 December 2005	37,464	88,444	800	1,665	710	63,193	192,276	–	192,276
Exchange differences arising on translation of foreign operations recognised directly in equity				915			915		915
Loss for the period	–	–	–	–	–	(15,069)	(15,069)	–	(15,069)
Total recognised income and expense for the period	–	–	–	915	–	(15,069)	(14,154)	–	(14,154)
At 30 June 2006	37,464	88,444	800	2,580	710	48,124	178,122	–	178,122

Note: Other reserves, consisting of expansion fund and the reserve fund, are provided in accordance with the Articles of Association of a subsidiary established in the People's Republic of China ("PRC").

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006

	Six months ended 30 June	
	2006	2005
	HK$'000	HK$'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(6,116)**	(47,200)
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(3,350)**	(3,297)
Purchase of intangible assets	**(2,560)**	(6,511)
Deposits paid for acquisition of property, plant and equipment	**–**	(12,337)
Other investing cash flows	**4,571**	–
	(1,339)	(22,145)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		
New bank borrowings raised	**–**	47,190
Repayment of bank borrowings	**(36,067)**	(2,735)
Decrease in pledged bank deposits	**2,491**	12,419
	(33,576)	56,874
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(41,031)**	(12,471)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**61,140**	60,823
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(443)**	210
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**19,666**	48,562
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**19,666**	48,562

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2006

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated 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 2005 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 ("HKICPA") that are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has had no material effect on how the Group's results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment had been required.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the condensed consolidated financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC) - INT 8	Scope of HKFRS 2[3]
HK(IFRIC) - INT 9	Reassessment of embedded derivatives[4]

1 Effective for accounting periods beginning on or after 1 January 2007.
2 Effective for accounting periods beginning on or after 1 March 2006.
3 Effective for accounting periods beginning on or after 1 May 2006.
4 Effective for accounting periods beginning on or after 1 June 2006.

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 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	
	2006 HK$'000 (unaudited)	2005 HK$'000 (unaudited)
Turnover		
Europe		
Germany	**17,456**	65,589
Other European countries	**73,746**	65,933
Total	**91,202**	131,522
Australia	**15,814**	19,695
Other continents	**2,227**	2,510
Total	**109,243**	153,727
Segment results		
Europe		
Germany	**1,201**	7,767
Other European countries	**6,430**	11,670
Total	**7,631**	19,437
Australia	**294**	1,919
Other continents	**345**	343
Total	**8,270**	21,699
Unallocated corporate income	**3,318**	1,720
Unallocated corporate expenses	**(23,877)**	(18,023)
Finance costs	**(3,306)**	(1,146)
Share of profit of an associate	**113**	1,713
(Loss) profit before tax	**(15,482)**	5,963
Income tax credit (expense)	**413**	(398)
(Loss) profit for the period	**(15,069)**	5,565

4. FINANCE COSTS

The finance costs represent interest on bank borrowings wholly repayable within five years.

5. INCOME TAX CREDIT (EXPENSE)

	Six months ended 30 June	
	2006	2005
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Provision for PRC income tax	**(989)**	–
Overprovision of land appreciation tax in the PRC	**1,700**	–
	711	–
Deferred taxation (Note 15)	**(298)**	(398)
	413	(398)

PRC income tax is calculated at 33% of the estimated profit 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.

Taxation arising in other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

6. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2006	2005
	HK$'000	HK$'000
	(unaudited)	(unaudited)
(Loss) profit for the period has been arrived at after charging the following items:		
Depreciation of property, plant and equipment	**6,985**	2,746
Amortisation of intangible assets included in cost of sales	**1,058**	821
Amortisation of prepaid lease payments	**50**	10
Allowance for bad and doubtful debts	**3,115**	–
Share of tax of an associate included in share of profit of an associate	**70**	1,517

7. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the period. For the six months ended 30 June 2005, the directors had proposed that an interim dividend of HK0.8 cent per share amounting to HK$2,997,000 be payable to the shareholders of the Company. The amount was fully paid on 11 November 2005.

8. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the unaudited consolidated loss for the period of HK$15,069,000 for the six months ended 30 June 2006 (profit for six months ended 30 June 2005: HK$5,565,000) and on 374,640,000 shares (six months ended 30 June 2005: 374,640,000 shares) in issue.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at a cost of HK$4,840,000 (six months ended 30 June 2005: HK$3,297,000) in order to expand its manufacturing capacity.

10. INTEREST IN AN ASSOCIATE

	30 June 2006 HK$'000 (unaudited)	31 December 2005 HK$'000 (audited)
Cost of investment in an unlisted associate	12,473	12,473
Share of post-acquisition profits and reserves, net of dividends received	(330)	(747)
	12,143	11,726

Included in the cost of investment in an associate is goodwill of HK$12,325,000 (31 December 2005: HK$12,325,000) arising acquisition of an associate in prior years.

At 30 June 2006, 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 2006, is as follows:

	Six months ended 30 June	
	2006 HK$'000	2005 HK$'000
Turnover	3,867	84,032
Profit for the period	226	3,426
Group's share of profit of associate for the period	113	1,713

10. INTEREST IN AN ASSOCIATE – *continued*

	30 June 2006 HK$'000	31 December 2005 HK$'000
Non-current assets	239	202
Current assets	52,379	79,037
Current liabilities	(52,306)	(79,167)
Net assets	312	72
Net assets attributable to the Group	156	36

11. 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:

	30 June 2006 HK$'000 (unaudited)	31 December 2005 HK$'000 (audited)
Within 30 days	11,876	20,968
Between 31 to 60 days	10,013	15,307
Between 61 to 90 days	5,037	3,866
Between 91 to 120 days	4,887	5,749
Over 120 days	262	5,857
Trade receivables	32,075	51,747
Other receivables	23,145	31,939
	55,220	83,686

12. TRADE AND OTHER PAYABLES

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

	30 June 2006 HK$'000 (unaudited)	31 December 2005 HK$'000 (audited)
Within 30 days	**9,724**	42,549
Between 31 to 60 days	**10,016**	6,176
Between 61 to 90 days	**8,405**	5,107
Between 91 to 120 days	**10,596**	4,514
Over 120 days	**9,358**	4,228
Trade payables	**48,099**	62,574
Other payables	**12,776**	23,420
	60,875	85,994

13. UNSECURED BANK BORROWINGS

The loans carry interest at market rates ranging from 5.3% to 6.5% (31 December 2005: 4.8% to 6.5%) per annum.

14. SHARE CAPITAL

	Number of shares '000 (unaudited)	**Share capital** HK$'000 (unaudited)
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2006 and 30 June 2006	2,000,000	200,000
Issued and fully paid:		
At 1 January 2006 and 30 June 2006	374,640	37,464

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

15. DEFERRED TAXATION

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

	Undistributed earnings of an associate HK$'000 (unaudited)
THE GROUP	
At 1 January 2006	1,947
Charge to income statement for the period	298
At 30 June 2006	**2,245**

At 30 June 2006, the Group has estimated unused tax losses of HK$74,600,000 (31 December 2005: HK$54,818,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses will expire on various dates up to 2011.

16. CAPITAL COMMITMENTS

	30 June 2006 HK$'000 (unaudited)	31 December 2005 HK$'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the financial statements	**2,246**	1,846

17. RELATED PARTY TRANSACTIONS

(a) During the period, the Group sold goods to an associate and received interest income from an associate amounting to HK$6,968,000 (six months ended 30 June 2005: HK$44,289,000) and HK$253,000 (six months ended 30 June 2005: HK$324,000) respectively.

(b) The directors of the Company considered that they are the only key management personnel of the Group. The short term benefits paid or payable by the Group to the directors of the Company during the period are HK$820,000 (six months ended 30 June 2005: HK$788,000).

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES

1. 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. 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.

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

At 30 June 2006, 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 maintained 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, were as follows:

Long positions in the shares of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of Company
Ms. Chen Wai Yuk	Held by controlled corporation	208,356,000 (a)	55.61%
Mr. Wang Shu	Held by spouse	208,356,000 (b)	55.61%
Mr. Ho Hao Veng	Beneficially held	10,000,000	2.67%

(a) These shares were held by Twinning Wealth Limited, the entire issued capital of which is beneficially 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. Ms. 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 share in Twinning Wealth Limited.

Save as disclosed above, none of the Directors, chief executives 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.

3. SUBSTANTIAL SHAREHOLDERS

Other than as disclosed above in the section "Directors and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" at 30 June 2006, 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 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 (Note)	Beneficial	39,212,000	10.47%

Note:

The above interests are beneficially owned by Arisiag Greater Fund Limited. Arisaig Partners (Mauritius) Limited 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 an indirect 33% beneficial interest in Arisaig Partners (Mauritius) Limited but is thereby deemed to have interests in the shares in which Arisaig Partners (Mauritius) Limited is interested.

Save as disclosed above, as at 30 June 2006, 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 Division 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.

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

There was no purchase, sales or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the six months ended 30 June 2006.

5. CODE ON CORPORATE GOVERNANCE

The Corporate Governance Report of the Board has been set out in our 2005 annual report. The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2006.

6. SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a set of Code of Conduct for Securities Transactions by Directors (the "Code of Conduct"), the terms of which are not less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific inquiries to the Directors, all Directors confirmed that they have complied with the Code of Conduct for the six months ended 30 June 2006.

7. AUDIT COMMITTEE

The Audit Committee was established on 11 April 2002 with written terms of reference which was revised and approved by the Board on 23 May 2006. The Board establishes formal and transparent arrangements for considering how it applies the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.

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.

The Audit Committee has reviewed and approved the financial statements for the six months ended 30 June 2006 and this interim report.

8. REMUNERATION COMMITTEE

The Remuneration Committee was established on 23 May 2006 with written terms of reference. The main objective of the remuneration policy is to ensure that the Group is able to attract, retain and motivate a high-calibre team which is essential to the success of the Group.

The members of the Remuneration Committee comprise executive director, Ms. Chen Wai Yuk, 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.

9. NOMINATION COMMITTEE

The Nomination Committee was established on 23 May 2006 with written terms of reference. The main objective of the nomination policy is to select candidates who can add value to the management through their contributions in the relevant strategic business areas.

The members of the Nomination Committee comprise executive directors, Mr. Wang Shu, Ms. Chen Wai Wah and three independent non-executive directors, Mr. Wei Tong Li, Mr. Hui Chuen Fan, Matthew and Mr. Ang Siu Lun, Lawrence.

At each annual general meeting one third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. Currently, all Directors appointed to fill casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment. Every director (including the Chairman and Managing Director), including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. The Company in general meeting shall have power by ordinary resolution to remove any Director before the expiration of his period of office.

10. INTERNAL CONTROL

The Board is responsible for the Group's internal control system and has been reviewing the effectiveness of the system. Such evaluation covers all material controls, including financial, operational and compliance controls and risk management functions.

An internal Audit Department has been set up since October 2005. The department has unrestricted access to all aspects of the Group's internal control system and activities which are relevant to the area under review and prepares an annual audit plan which comprises of a series of individual audits and is subject to approval of the Audit Committee. In performing audit fieldwork, the department gathers information and evidence through observation and inspection to make reasonable assurance of the audit report, which is directly reported to the Chairman of the Audit Committee.

11. CHANGE OF HONG KONG BRANCH SHARE REGISTRAR

With effect from 13 October 2006, the Hong Kong Branch Share Registrar of the Company will be changed to:–

Union Registrars Limited
Room 1803, Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai, Hong Kong
Telephone No.: 28493399
Fax No.: 28493319

Applications for registration of transfer of shares of the Company should thereafter be lodged with Union Registrars Limited with effect from 13 October 2006. Share certificates uncollected on 12 October 2006 may be collected from the Company's new Hong Kong Branch Share Registrar from 13 October 2006.

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

Audit Committee

Mr. Hui Chuen Fan, Matthew *(Chairman)*
Mr. Ho Hao Veng
Mr. Wei Tong Li
Mr. Ang Siu Lun, Lawrence

Remuneration Committee

Mr. Ho Hao Veng *(Chairman)*
Ms. Chen Wai Yuk
Mr. Wei Tong Li
Mr. Hui Chuen Fan, Matthew
Mr. Ang Siu Lun, Lawrence

Nomination Committee

Mr. Ang Siu Lun, Lawrence *(Chairman)*
Mr. Wang Shu
Ms Chen Wai Wah
Mr. Wei Tong Li
Mr. Hui Chuen Fan, Matthew

Auditors

Deloitte Touche Tohmatsu

Principal Bankers

Standard Chartered Bank (Hong Kong) Limited
KBC Bank N.V.
Citic Ka Wah Bank Limited
DBS Bank (Hong Kong) Limited
Hang Seng 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

22/F Shum Tower
268 Des Voeux Road Central
Hong Kong

Hong Kong Branch Share Registrar and Transfer office

Hong Kong Registrars Limited
46/F Hopewell Centre
183 Queen's Road East
Hong Kong

Stock Code

2389

Website

www.wangsing.com.hk