



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 **2007**

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MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

The rising trend of global price of raw materials extended to the first half of 2007. The fact that the price of some raw materials increased significantly has put pressure on the costs of most domestic production corporations. The price of copper, in particular, witnessed the biggest increase. Under the support of the vast infrastructural constructions and other industrial developments in the PRC, the demand for copper consumption in the PRC was on the rise. Meanwhile, since the relatively low level of global copper reserve was believed to be difficult to replenish in the short run, the global price of copper remained high in the first half of 2007.

Following the implementation of "the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Regulations" (RoHS Regulations) on 1 July 2006 by the EU, none of the six hazardous substances including lead, mercury and cadmium is allowed to use in electronic and electrical equipment, and a higher standard of anti-carcinogenic and environmental protection requirement was also promulgated. During the period under review, RoHS Regulations had a material effect to the industry. Except for the buyers of power tools and a number of manufacturers who act prudently in respect of manufacture and sales, there are only a few power tools manufacturers in the PRC who are capable of meeting the relevant standards in terms of the equipment, testing and technology under such Regulations, the foreign exports during the period declined accordingly. During the period under review, the continual appreciation of RMB resulted in an increase in operating cost. Under which, the profit margin of export products in the manufacturing industry was directly affected, creating an exceptional challenging operating environment for the manufacturers of power tools and air tools. Coupled with the reduction on the export tax refund rate by the central government during the period, the list of lowering the export tax refund rate was gradually expanding, bringing a greater pressure on the operators in the manufacturing industry and making the operating environment more difficult.

Dividends

The Board of Directors did not recommend the payment of interim dividend for the six months ended 30 June 2007.

MANAGEMENT DISCUSSION AND ANALYSIS – *continued*

Business Review

The Group is principally engaged in the production and sales of products such as medium and high end AC and DC power tools and air tools. Facing the difficult operating environment, although efforts were made to enhance the operating efficiency in all aspects in order to enhance the business performance for the period, the Group was still inevitably affected by the external environment. During the period under review, the Group implemented business enhancement strategies and reduced its loss effectively, which is mainly reflected on the products and client cooperation. In respect of the power tools and air tools, capitalizing on the fact that its production facilities has met the stringent standards on environmental protection and safety requirements promulgated by the EU, the Group proactively upgraded the profile of its products, increased the production of high end products and enhanced the profitability of the Group during the period under review. Meanwhile, the Group also strived to expand its product range and developed gardening tools and engine tools. The Group's gardening tools and engine tools are able to meet the high entry barrier of the EU client and expand the sales of the Group, creating a new source for growth for the Group in the future.

In respect of client cooperation, the Group has been joining hands with world renowned tool brands and chain stores in product development and has successfully built up collaborative relationship with a number of renowned customers. During the period under review, a breakthrough has been made on the cooperation with individual renowned customers. Several other projects were secured from one of the joint projects concluded earlier. Furthermore, the Group maintained close cooperation with existing clients, and secured stable orders and in turn, brought steady income contribution. The business enhancement strategies of the Group manifested its ability to shift to high growth production. During the period, negotiations with certain new clients were progressing smoothly and it is expected that the number of clients will continue to increase in the future. Currently, its major clients include worldwide famous chain stores and leading distributors of power tools and air tools in the US and Europe, such as Bosch/Skil, Leroy Merlin, Orgill and Casterama.

The disputes with our associate in Germany last year had been fully settled during the first half of the year. A settlement agreement was entered into between the Group and the associate in Germany on 15 May 2007 and the Group had subsequently received a total amount of approximately Euro 1 million. Since then, the associate in Germany had been fully deconsolidated from the Group and will no longer bring adverse impact to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS – *continued*

Business Review – *continued*

For the six months ended 30 June 2007, the turnover and loss attributable to shareholders of the Group were HK\$95,388,000 (the first half of 2006: HK\$109,243,000) and HK\$12,470,000 (the first half of 2006: HK\$15,069,000) respectively. During the period under review, the power tools business was still the major income source, representing 80.7% of the total turnover, while air tools and hand tools and other products representing 19.3% (the first half of 2006: power tools 77.9% and air tools and others 22.1%).

In the recent years, a prudent product manufacturing strategy has been adopted by the Group to migrate the impact to the corporation as a whole from the external environment, which focused on the production of medium-to high-end products with higher ability against risks while outsourced the production of low-end products to reduce the production cost. With the implementation of the business enhancement strategies during the first half of 2007, the Group has also increased the proportion of self-production, especially on the high-end products while reduced outsourced production. During the period, the Group's proportion of self-production to outsourced production was 33.8:66.2 (the first half of 2006: a proportion of 24:76).

Prospects

Looking ahead, the external operating environment remains challenging. In order to maintain the improved results attained during the period under review, the Group will continue to implement enhancement strategies and spend efforts to uplift the overall profile of its products. In addition, the Group will continue to develop new gardening tools and engine tools as well as other new products, so as to diversify the categories of product development, increase the income source, and expand its market share. In line with its strategy to enhance the quality and range of its products, the Group plans to expand the capability of its new products, expand the scope of self-production, shift to the production of more high-end products, and strive to meet the product standards under the EU.

The Group will continue to strengthen its strategic cooperative relationship with the existing internationally renowned brand enterprises and chain stores to secure more orders. The Group's professional laboratories have proved that the products of the Group meet the RoHS standard under the EU, which has strengthened the basis for the Group's further expansion into the European market in the future. The Group will thus be able to attract more new reputable clients and partners to join hands to develop new products.

MANAGEMENT DISCUSSION AND ANALYSIS – *continued*

Prospects – *continued*

It is expected that the price of raw materials will stay at high level for the coming year. The Group will minimize the potential impact from the fluctuation of the price of raw material, and further implements stringent measures on cost control including strict control on labour costs and enhancement of production efficiency, in order to mitigate the adverse effect from external environment and improve overall efficiency of the Group.

Disposal of shares have been made to new investors recently. The intention is primarily to acquire additional resources for future development by introducing new strategic investors, and at the same time strengthen the confidence of the investors to the Group's capability.

The Group will continue to endeavor to upgrade itself in terms of product profile, product range, cooperation with clients, productivity and production lines, while solidifying the business development of its power tools and air tools business with a view to sustaining the favorable impetus achieved in the period under review. The Group will also continue to pursue continuous internal and external corporate reform and enhance the ability of operation and management. We look forward to the innovation on a number of major areas such as sales, research and development and production, and anticipate a steady development on the overall operations in the second half of 2007.

Financial Review

Turnover and Profit Analysis

For the six months ended 30 June 2007, the Group recorded a turnover of approximately HK\$95,388,000, a slight decrease of 12.7% as compared to the corresponding period last year. Loss attributable to shareholders was approximately HK\$12,470,000 for the six months ended 30 June 2007 (corresponding period of 2006: HK\$15,069,000).

The decrease in turnover was mainly due to the decrease in sales brought by the disputes between the Group and SBW, a former associate in Germany and a major customer of the Group. The disputes were settled and the Group sold its interests in SBW in May 2007. The decrease in loss attributable to shareholders was due to the increase in other income of approximately HK\$5,014,000 which was from the repayment of SBW, a former associates of the Group, in form of sales proceeds of investment and refund of shareholders' loan.

MANAGEMENT DISCUSSION AND ANALYSIS – *continued*

Financial Review – *continued*

Turnover Breakdown by Product and Geographical Location

In term of product, power tools were still the major income source of the Group. During the period under review, the sales of power tools, air tools and hand tools and household wares represented 80.7%, 9.2% and 10.1% of the Group's turnover (corresponding period of 2006: power tools: 77.9%, air tools and hand tools: 8.3%, household wares: 13.8%).

Geographically, Europe was still the major market of the Group, accounting for 95.1% of the Group's turnover. European markets grew steadily except the German market which was due to the decrease in sales of the Group's former associate, SBW. In addition, the sales in Australian market decreased, accounting for 1.3% of the Group's turnover while the sales in the US markets were stable, accounting for 3.6% of the Group's turnover.

Gross Profit and Profit Margin Analysis

For the six months ended 30 June 2007, the Group's gross profit improved from approximately HK\$8,270,000 to approximately HK\$10,102,000. The Gross profit margin also improved from 8% to 11% which was due to the steady price of raw materials during the period under review.

During the period under review, the profit margin of power tools was approximately 8.7% (corresponding period of 2006: 4%) and the profit margin of air tools and other tools products was approximately 17.6% (corresponding period of 2006: 19.8%). The price of major raw materials such as aluminum grew by 4%, copper decreased by 2%, plastics dropped by 14% and lead remained stable.

Structure of Costs

For the six months ended 30 June 2007, raw materials, salary, power and manufacturing overheads accounted for 97.41%, 0.99%, 0.05% and 1.55% of the Group's overall production cost respectively (corresponding period of 2006: 96.57%, 1.13%, 0.07%, 2.23%).

Cashflow Analysis

For the six months ended 30 June 2007, the Group's net operating cash outflow was HK\$14,813,000.

Cash on Hand

As at 30 June 2007, the Group's cash on hand was HK\$19,590,000 of which pledged bank deposits was HK\$15,392,000.

MANAGEMENT DISCUSSION AND ANALYSIS – *continued*

Financial Review – *continued*

Debts Analysis and Gearing ratio

As at 30 June 2007, the Group's total borrowings amounted to HK\$88,134,000 and the Group's net debt to equity ratio (bank loans - cash/equity) was 96%.

Capital Expenditure

The Group's capital expenditure for the six months ended 30 June 2007 was approximately HK\$5.3 million, of which development of mould expenses amounted to HK\$2.3 million, R&D expenses and licenses fee amounted to HK\$2.4 million and miscellaneous equipments and facilities amounted to HK\$0.6 million.

Account Receivables Analysis

For the six months ended 30 June 2007, the account receivables of the Group were HK\$36,818,000 (2006: HK\$56,815,000). The Group's debtors' turnover days were 90 days (corresponding period of 2006: 89 days).

Account Payables Analysis

For the six months ended 30 June 2007, the account payables of the Group were HK\$68,656,000 (2006: HK\$52,839,000).

Inventories Analysis

For the six months ended 30 June 2007, the inventories of the Group were HK\$29,048,000 (2006: HK\$28,970,000) while the inventory turnover days were 62 days (2006: 54 days).

Shareholding Structure

As at 30 June 2007, the shareholding of the major shareholder, Twinning Wealth Limited, remains 55.61% (2006: 55.61%). On 10 August 2007, Twinning Wealth Limited intended to sell approximately 19% of the shareholdings to Big Power Holdings Limited which was completed on 30 August 2007. On 30 August 2007, the Company entered into the Placing Agreement with the Placing Agent, Grand Vinco Capital Limited, pursuant to which the Placing Agent agreed to place 74 million Placing Shares representing approximately 19.8% of the Company's shareholdings to not less than 6 placees at the price of HK\$0.70 per Placing Share on a best effort basis. One of the placees, namely Ms. Shen Lingzhao, became a substantial shareholder of the Company and holding 70 million shares upon completion of the Placing.

MANAGEMENT DISCUSSION AND ANALYSIS – *continued*

Financial Review – *continued*

Pledge of Assets

Assets with the carrying value of HK\$50,697,000 have been pledged to secure borrowings of the Group of HK\$59,510,000.

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 increased the Group's operating cost and raw material costs.

Employee Benefits and Training

For the six months ended 2007, the Group had approximately 530 employees, of which 60 employees were management staff and 34 employees were engineers. The decrease in number of staff is due to the increase in the number of automatic machineries. This will further enhance the operating efficiency of the Group and further reduce the production cost in the long run.

The Group focuses on the enhancement of the quality of staff through offering all kinds of staff training. During the period under review, the Group organized internal training courses once a week for staff at all levels. Topics of the training courses included moral, ethic, languages, technical and management skill trainings. The Group also organized a number 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 number of 15,610,000 shares on 18 August 2006. 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 staff as a reward for their excellent performance and their contribution to the Group. This will help to increase their incentive at work, which will enhance the Group's overall performance in long run.

The Board of Directors (the "Board") of Wang Sing International Holdings Group Limited (the "Company") announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 which has not been audited but has been reviewed by the Audit Committee together with the comparative figures in 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	NOTES	Six months ended 30 June	
		2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Turnover	3	95,388	109,243
Cost of sales		(85,286)	(100,973)
Gross profit		10,102	8,270
Other income		3,469	3,318
Distribution costs		(9,646)	(6,744)
Administrative expenses		(16,290)	(14,018)
Allowance for trade receivables		(2,259)	-
Gain on disposal of investment in SBW Technische Gerate GmbH ("SBW")	10	1,678	-
Reversal of impairment loss for amount due from SBW	10	5,014	-
Other expenses		(5)	(3,115)
Finance costs	4	(4,521)	(3,306)
Share of profit of an associate		-	113
Loss before taxation		(12,458)	(15,482)
Income tax credit (expense)	5	(12)	413
Loss for the period	6	(12,470)	(15,069)
Loss per share			
-Basic (HK cents)	8	(3.3)	(4.0)

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2007

	NOTES	30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	127,827	135,740
Prepaid lease payments		1,103	680
Intangible assets		13,556	12,407
Interest in an associate	10	-	-
		142,486	148,827
Current assets			
Inventories		29,048	28,970
Trade and other receivables	11	60,363	86,270
Deposits and prepayments		14,563	21,020
Prepaid lease payments		22	21
Pledged bank deposits		15,392	-
Cash and cash equivalents		4,198	17,460
		123,586	153,741
Current liabilities			
Trade and other payables	12	82,253	72,043
Deposits and accrued expenses		4,093	4,857
Bank borrowings	13	88,134	134,670
Amounts due to directors	14	14,391	3,671
Tax payable		1,947	2,701
		190,818	217,942
Net current liabilities		(67,232)	(64,201)
Total assets less current liabilities		75,254	84,626
Capital and reserves			
Share capital	15	37,464	37,464
Reserves		32,290	41,662
Total equity		69,754	79,126
Non-current liabilities			
Other borrowings		5,500	5,500
Deferred Taxation	16	-	-
		75,254	84,626

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Share capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Merger reserve HK\$'000	Transla- tion reserve HK\$'000	Other reserve HK\$'000	Accumu- lated profits (losses) HK\$'000	Minority interest HK\$'000	Total HK\$'000
At 1 January 2006	37,464	88,444	-	800	1,665	710	63,193	-	192,276
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	915	-	-	-	915
Loss for the period	-	-	-	-	-	-	(15,069)	-	(15,069)
Total recognised income and expense for the period	-	-	-	-	915	-	(15,069)	-	(14,154)
At 30 June 2006	37,464	88,444	-	800	2,580	710	48,124	-	178,122
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	2,411	-	-	-	2,411
Loss for the period	-	-	-	-	-	-	(101,477)	-	(101,477)
Total recognised income and expense for the period	-	-	-	-	2,411	-	(101,477)	-	(99,066)
Recognition of equity-settled share based payments	-	-	70	-	-	-	-	-	70
At 31 December 2006	37,464	88,444	70	800	4,991	710	(53,353)	-	79,126
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	3,014	-	-	-	3,014
Share based payments	-	-	84	-	-	-	-	-	84
Share options lapsed	-	-	(14)	-	-	-	14	-	-
Loss for the period	-	-	-	-	-	-	(12,470)	-	(12,470)
Total recognised income and expense for the period	-	-	70	-	3,014	-	(12,456)	-	(9,372)
At 30 June 2007	37,464	88,444	140	800	8,005	710	(65,809)	-	69,754

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Six months ended 30 June	
	2007	2,006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	37,768	(6,116)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,919)	(3,350)
Purchase of intangible assets	(2,439)	(2,560)
Increase in prepaid lease payments	(435)	-
Interest received from banks	71	-
Proceeds from disposals of an associate	1,678	-
Other investing cash flows	-	4,571
NET CASH USED IN INVESTING ACTIVITIES	(4,044)	(1,339)
FINANCING ACTIVITIES		
Net bank borrowings raised	35,828	-
Repayment of shareholder's loan to an associate	10,081	-
Increase in amounts due to directors	10,622	-
Repayment of bank borrowings	(83,655)	(36,067)
(Increases) Decrease in pledged bank deposits	(15,392)	2,491
Interest paid	(4,521)	-
NET CASH USED IN FINANCING ACTIVITIES	(47,037)	(33,576)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,312)	(41,031)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	17,460	61,140
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	50	(443)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	4,198	19,666
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	4,198	19,666

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

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 2006, as described in the annual accounts for the year ended 31 December 2006.

The following new standards, amendments to standards and interpretations are relevant to the Group and are mandatory for the periods beginning on or after 1 January 2007:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC)-INT 8	Scope of HKFRS 2
HK(IFRIC)-INT 9	Reassessment of embedded derivatives
HK(IFRIC)-INT 10	Interim financial reporting and impairment

The adoption of these new standards, amendments to standards and interpretations has no significant impact on the Group's interim results and financial position.

The following new standard and interpretation, which are relevant to the Group, have been issued but are not effective for 2007 and have not been early adopted by the Group:

HKFRS 8	Operating segments
HK(IFRIC)-INT 11	HKFRS 2 – Group and treasury share transactions

The adoption of these standard or interpretation will have no material impact on the accounts of the Group and will not result in substantial changes to the Group's accounting policies.

3. SEGMENT INFORMATION

The Group is engaged in the manufacture and distribution of power tools, air tools and hand 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 Directors 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 is as follows:

	Six months ended 30 June	
	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Turnover		
Europe		
Germany	9,525	17,456
Other European countries	81,171	73,746
Total	90,696	91,202
Australia	1,256	15,814
Other continents	3,436	2,227
Total	95,388	109,243
Segment results		
Europe		
Germany	1,211	1,201
Other European countries	8,193	6,430
Total	9,404	7,631
Australia	423	294
Other continents	275	345
Total	10,102	8,270
Unallocated corporate income	10,161	3,318
Unallocated corporate expenses	(28,200)	(23,877)
Finance costs	(4,521)	(3,306)
Share of profit of an associate	-	113
Loss before tax	(12,458)	(15,482)
Income tax credit (expense)	(12)	413
Loss for the period	(12,470)	(15,069)

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	
	2007	2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Provision for PRC income tax	(12)	(989)
Overprovision of land appreciation tax in the PRC	-	1,700
	(12)	711
Deferred taxation	-	(298)
	(12)	413

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 FOR THE PERIOD

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging the following items:		
Depreciation of property, plant and equipment	6,898	6,985
Amortisation of intangible assets	829	1,058
Amortisation of prepaid lease payments	10	50
Allowance for trade receivables	2,259	3,115
Share of tax of an associate included in share of profit of an associate	-	70

7. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the period. (For the six months ended 30 June 2006: Nil)

8. LOSS PER SHARE

The calculation of basic loss per share is based on the unaudited consolidated loss for the period of the Company of HK\$12,470,000 for the six months ended 30 June 2007 (six months ended 30 June 2006: HK\$15,069,000) and on 374,640,000 shares (six months ended 30 June 2006: 374,640,000 shares) in issue during the period.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at a cost of HK\$2,919,000 (six months ended 30 June 2006: HK\$4,840,000) in order to expand its manufacturing capacity.

At 30 June 2007, the Group's property, plant and equipment having a carrying value of approximately HK\$50,697,000 (31 December 2006: HK\$Nil) were pledged to secure banking facilities granted to the Group.

10. INTEREST IN AN ASSOCIATE

	30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
Cost of investment in an unlisted associate	-	12,473
Share of post-acquisition results and reserves, net of dividends received	-	(2,675)
Impairment loss recognised	-	(9,798)
	-	-

At the beginning of the period, the Group has lost significant influence on SBW Technische Gerate GmbH ("SBW"), the Board decided to treat SBW as other investment with effect from 1 January 2007.

The Group was a major power tools supplier of SBW for the years ended 31 December 2005 and 2006. Since January 2007, SBW refused to settle the outstanding balances due to the Group. The Group had no other alternatives but to terminate the supplies of goods to SBW and therefore a number of arguments and disputes existed among the shareholders of SBW. The other shareholders of SBW also do not allow the Group to gain full access to the books and records of SBW.

10. INTEREST IN AN ASSOCIATE – continued

On 15 May 2007, a settlement agreement was signed by Wang Sing Products Limited ("WSP"), a subsidiary of the Company, SBW and TIP Technische Industrie Produkte GmbH ("TIP"). Key terms of the settlement agreement are as follows:

- a. WSP agreed to sell all shares in SBW to TIP for a consideration of Euro 157,500.
- b. SBW agreed to repay to WSP the shareholder loan of Euro 1,388,592, of which Euro 938,592 will be paid immediately and the balance of Euro 450,000 will serve as guarantee for returned goods, if any.
- c. The remaining unsettled dispute regarding liabilities between WSP and SBW will be clarified by intervention of a neutral arbitrator and is expected to be settled within 6 months.

Under this settlement agreement, WSP received payments in an amount of Euro 157,500 on 30 May 2007 and an amount of Euro 938,592 on 4 June 2007. As a result, a reversal of impairment loss of HK\$5,014,000, for the amount due from SBW was made.

On 24 August 2007, the notary in Germany confirmed that the amount of Euro 450,000 has been accounted on the notary trust account as per 14 August 2007. Full provision of this amount for returned goods has been made in WSP at the same time. Subject to the above-mentioned issue, the Board considers that the trade disputes with SBW have been settled.

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 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
Within 30 days	16,048	21,804
Between 31 to 60 days	2,949	18,856
Between 61 to 90 days	5,231	5,585
Between 91 to 120 days	2,463	9,552
Over 120 days	10,127	1,018
Trade receivables	36,818	56,815
Other receivables	23,545	29,455
	60,363	86,270

11. TRADE AND OTHER RECEIVABLES – continued

Derecognition of financial assets

At 30 June 2007, the carrying amount of the transferred short-term receivables to the unrelated entities is HK\$30,691,000 (31 December 2006: HK\$19,813,000). As part of the transfer, the Group provided the transferees a credit guarantee over the expected losses of those receivables. Accordingly, the Group continues to recognized the full carrying amount of the receivables and has recognized the cash received on the transfer as the secured borrowings. The carrying amount of the associated liabilities is HK\$30,691,000 (31 December 2006: HK\$19,813,000).

12. TRADE AND OTHER PAYABLES

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

	30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
Within 30 days	38,522	28,909
Between 31 to 60 days	5,017	3,622
Between 61 to 90 days	10,089	4,835
Between 91 to 120 days	4,955	3,163
Over 120 days	10,073	12,310
Trade payables	68,656	52,839
Other payables	13,597	19,204
	82,253	72,043

13. BANK BORROWINGS

	30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
Unsecured bank loans	12,285	114,857
Secured bank loans	75,849	19,813
	88,134	134,670
Carrying amount repayable:		
On demand or within one year	88,134	134,670
More than one year, but not exceeding two years	-	-
	88,134	134,670
Less: Amounts due within one year shown under current liabilities	(88,134)	(134,670)
Amounts due after one year	-	-
The exposure of the Group's fixed-rate borrowings is as follows:		
Within one year	37,972	-

All other borrowings are at variable rates.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	30 June 2007	31 December 2006
Effective interest rates:		
Fixed-rate borrowing	6.39% to 7.03%	N/A
Variable-rate borrowings	HIBOR+1.6% to 1.95% LIBOR+0.5% to 2%	HIBOR+1.6% to 1.95% LIBOR+1.25% to 2%

13. BANK BORROWINGS – continued

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	Original currency (in thousands)	HK\$'000
Bank borrowings denominated in U.S. dollars:		
As at 30 June 2007	4,674	36,364
As at 31 December 2006	10,206	79,323
Bank borrowings denominated in Renminbi:		
As at 30 June 2007	44,000	45,156
As at 31 December 2006	30,000	29,860
Bank borrowings denominated in Euro:		
As at 30 June 2007	Nil	Nil
As at 31 December 2006	97	988

14. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, interest-free and are repayable on demand.

15. SHARE CAPITAL

	Number of shares '000 (unaudited)	Share capital HK\$'000 (unaudited)
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2007 and 30 June 2007	2,000,000	200,000
Issued and fully paid:		
At 1 January 2007 and 30 June 2007	374,640	37,464

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

16. DEFERRED TAXATION

At 30 June 2007, the Group has estimated unused tax losses of HK\$79,856,000 (31 December 2006: HK\$69,700,000) 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.

17. CAPITAL COMMITMENTS

	30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the consolidated financial statements	1,442	252

18. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme

The Company operates a share option scheme ("Share Option Scheme") for the purposes of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include (i) any employee or proposed employee (whether full time or part time including any executive Director but not any non-executive Director) of the Company, any of its subsidiaries or any entity ("Invested Entity") in which any member of the Group holds any equity interest; (ii) any non-executive Director or proposed non-executive Director (including independent non-executive Director) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier or potential supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer or potential customer of the Group or any Invested Entity; (v) any person or entity that provides or will provide research, development or other technological support to the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity; and (vii) any adviser (professional or otherwise) or consultant to any area of business operation or development. The Share Option Scheme became effective on 26 April 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from its date of adoption on 11 April 2002.

As at the date of this interim report, the total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group is 17,990,000, representing 10% of the issued share capital of the Company as at the date of listing of the Company's shares on the Stock Exchange less share option issued during the year ended 31 December 2006. The maximum number of shares issuable upon exercise of the options which may be granted under the Share Option Scheme and any other share option scheme of the Group to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share option in excess of this limit is subject to shareholders' approval in a general meeting.

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. In addition, any share options granted to a substantial shareholder or an independent non-executive Director, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issued at any time or with an aggregate value (based on the closing price of the Company's shares as at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

18. SHARE-BASED PAYMENT TRANSACTIONS – continued

Equity-settled share option scheme – continued

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options or the expiry date of the Share Option Scheme, if earlier.

The exercise price of the share options is determinable by the Directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares.

The following table discloses movements of the Company's share options granted on 18 August 2006 ("Grant Date") under the Share Option Scheme and movements in such holdings:

Category	Exercise price per share HK\$	Estimated fair value per share option at the date of grant HK\$	Exercisable period	Number of Share Options		
				At as 1/1/2007	Lapsed	As at 30/6/2007
Directors	0.2	0.0319	note (i)	2,310,000		2,310,000
Employee (category 1)	0.2	0.0339	note (ii)	2,000,000		2,000,000
Employees (category 2)	0.2	0.033	note (iii)	11,300,000	(3,300,000)	8,000,000
				<u>15,610,000</u>	<u>(3,300,000)</u>	<u>12,310,000</u>
Exercisable at 30.06.2007						<u>2,310,000</u>

There is no share option granted prior to the Grant Date.

Notes:

- i. The share options are exercisable one year after the Grant Date to the expired date of the share option scheme on 10 April 2012 ("Expired Date").
- ii. The first 1,000,000 share options will be vested one year after the Grant Date. Of the remaining 1,000,000 shares options, 500,000 will be vested in each of the second and third year after the Grant Date. The share options are exercisable once they become vested until the Expired Date.
- iii. One-fifth of the share options granted to the employees will be vested annually in the next five years from the Grant Date. The share options are exercisable once they become vested until the Expired Date.

18. SHARE-BASED PAYMENT TRANSACTIONS – continued

Equity-settled share option scheme – continued

The fair value was calculated using The Black-Scholes during model (the "Model"). The inputs into the mode were as follows:

	2006
Closing share price at the date of grant	HK\$0.2
Exercise price	HK\$0.2
Expected volatility	56.77%
Expected life	2 years
Risk-free rate	4.29%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 260 trading days on Stock Exchange. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Company has used the Model to value the share options granted during the year. The Model is one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

The Group recognised the total expense of HK\$84,000 for the period ended 30 June 2007 (six months ended 30 June 2006: HK\$Nil) in relation to share options granted by the Company.

19. RELATED PARTY TRANSACTIONS

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\$1,552,000 (six months ended 30 June 2006: HK\$820,000).

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES

1. Directors' interests in Shares and Underlying Shares

At 30 June 2007, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("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:

(a) 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 a controlled Corporation	208,356,000(i)	55.61%
Mr. Wang Shu	Held by spouse	208,356,000(ii)	55.61%
Mr. Ho Hao Veng	Beneficially held	10,000,000	2.67%

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

(ii) 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, nor their associates had any interests or short positions in any shares or underlying shares 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.

1. Directors' interests in Shares and Underlying Shares – continued

(b) Share options

Particulars of the Company's share option scheme are set out in note 37 to the consolidated financial statements.

	Number of share Options granted During the year and Outstanding at 30 June 2007
<i>Directors</i>	
Ms. Chen Wai Yuk	330,000
Mr. Wang Shu	330,000
Miss Chen Wai Wah	330,000
Mr. Ho Hao Veng	330,000
Mr. Wei Tong Li	330,000
Mr. Hui Chuen Fan, Matthew	330,000
Mr. Ang Siu Lun, Lawrence	330,000
	2,310,000

These options were granted under the share option scheme adopted by the Company on 11 April 2002 and entitle the holders thereof to subscribe for shares at an exercise price of HK\$0.2 per share during the period from 18 August 2007 to 10 April 2012.

Save as disclosed above, at no time during the year was the Company, its ultimate holding company or any subsidiaries of its ultimate holding company a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

2. Purchase, sale or redemption of the company's listed securities

There was no purchase, sales or redemption by the Company or any its subsidiaries, of the Company's listed securities during the six months ended 30 June 2007.

3. Code on Corporate Governance

The Corporate Governance Report of the Board has been set out in our 2006 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 2007.

4. 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 Director 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 2007.

5. 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 2007 and this interim report.

6. 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.

7. 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, Miss 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 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.

8. 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.

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 Representative

Ms. Chen Wai Yuk
Miss Chen Wai Wah

Qualified Accountant & 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
Miss Chen Wai Wah
Mr. Wei Tong Li
Mr. Hui Chuen Fan, Matthew

Auditors

CCIF CPA Limited

Principal Bankers

Standard Chartered Bank (Hong Kong) Limited
KBC Bank NV
Citic Ka Wah Bank Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of
China Limited
Bank of China Limited
Shanghai Pudong Development 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

20/F, Well View Commercial Building
8-12 Morrison Street
Sheung Wan
Hong Kong

Hong Kong Branch Share Registrar and Transfer office

Union Registrars Limited
Room 1901-02
Fook Lee Commercial Centre,
Town Place, 33 Lockhart Road,
Wanchai, Hong Kong.

Stock Code

2389

Website

www.finance.thestandard.com.hk